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FROM THE CONTENTS:—

Indochina's Trade in 1948
Hongkong Clearing House
& Note Circulation
Reports from North China

Japanese Industrial Reports
Japan's Trade in 1948
Philippine Developments

Malaya: Pineapple Industry,
Rubber Plantations
Reports from Siam & Indonesia
Hongkong Public Utilities

What of the Future?

Shanghai has not yet fallen, although at any moment it is likely to do so and the Chinese Communist leaders must be aware that they can occupy it at practically any moment; but they are presumably making sure by their investment of the city that the Nationalist troops defending it will not be able to make a get-away. Chiang Kai-shek's recent appeal to the Chinese people to stand firm may mean that he is preparing to fight on, but the Chinese have had so much fighting, starvation, and trouble of every kind under the Kuomintang regime that it is difficult to imagine their continuing to fight in defence of it. Their one overwhelming desire is for peace and to start work again. Panic makes them flee from the advancing armies, but they return to their homes as soon as the fear subsides. Each town captured by the Communists, and it must be admitted by the most sceptical that their armies are well-disciplined, gives more confidence in their regime. The Chinese are not very politically minded, and one government is as good as another, provided they can be left in peace to pursue their avocations.

However, no one would venture yet to prophesy as to the future course of events, and the consequence is that rumours of the most contradictory sort are rife, especially as the threat of war comes further south. To most people, therefore, the announcement by Mr. A. V. Alexander, Minister for Defence, in the House of Commons that "substantial reinforcements" were to be sent to the garrison in Hongkong which would include elements of all arms—land, sea, and air,—coupled with the news that the Leicestershire Regiment was leaving immediately for Hongkong, came as a great relief as showing that the British Government was in earnest in its declaration that it does not intend to give up the Colony.

Possibly very few people really thought that Hongkong would be given up just for the asking; such momentous happenings are always the result of negotiations and it is always possible to make a good guess beforehand when events are moving in such a direction. But fears have been expressed that disorders might arise in the Colony which might be difficult to quell with the small forces at Government's disposal. The reinforcements coming out from Britain, — they are not to be drawn from Malaya, — will it be anticipated be sufficient to prevent any serious outbreak of violence as a result of the

change-over when the Communist armies reach South China. Hongkong has a unique status in the Far East, and it would have been disastrous if confidence in the British Government's sincerity were to have been lessened in any way by lack of precautions taken in time. Mr. Alexander went on to explain the position in these words: "While we have scrupulously endeavoured to avoid being involved in the war on the Chinese mainland, we are no less resolute in our attitude as regards territory for which we hold a direct responsibility" and he added "In deciding on further measures to protect Hongkong, the Government has been moved solely by the desire and determination to prevent the unsettled conditions in China from endangering the welfare and safety of the people in Hongkong or hampering the peaceful pursuit of legitimate trade through Hongkong with China."

So much for the question of internal security. What the British community in Hongkong and China is anxious to know is whether the Government has yet formulated any policy in regard to initiating dealings with the Chinese Communists. In reply to a suggestion in the debate in the House of Commons that the Communists in China should be recognised, the prime minister, Mr. Clement Attlee, replied "That will depend on their actions. It is premature to discuss what we will do." But the Governor of Hongkong, Sir Alexander Gratham, addressing the Engineering Society of Hongkong recently voiced the feelings of the British community when he said "We are men of peace, and we are traders. We hope that it will be possible for us to trade with Communist China with no more irritations than we have had to suffer under the present Government. After all it is to our mutual interest that we should so trade."

As Sir Alexander pointed out, "these are our hopes only, they are not certainties," and he would be a bold person who would venture to prophesy at a juncture such as the present. Nevertheless, it is perhaps permissible to draw attention to certain aspects of the situation that are not without a grain of comfort for the future. One of these is the partial revival of trade in Tientsin, borne out by the recent arrival of the first shipment of piece goods from that port, together with the growth of trade on a barter system between North China and Hongkong. Indeed, trade between Hongkong and North China, under the administration of the Chinese Communist authorities, has shown most gratifying returns dur-

ing the first three months of this year. Imports from North China valued in March \$13,469,892, or almost 7% of total imports of the Colony, and exports in March amounted to \$17,228,773, or 10% of total exports from here. For the first quarter of 1949 imports from North China valued \$31,176,247 and exports \$27,856,927, accounting each for slightly less than 6% of Hongkong's total trade. In our issue of April 20, pp.490/91, these figures were published and the recovery of China's trade, as far as it concerned North China, was duly stressed.

From reports received here from Tientsin it would appear that trade expansion is steadily progressing. The desire of the new regime to foster commercial relations with foreign countries has been publicly expressed at several occasions and by the leading functionaries of the Communist Party. These words were borne out by facts as the trade returns, both released in Tientsin and in this Colony, have proved. According to an announcement by the Communist Peiping radio, exports during April exceeded imports by more than 93 million People's Bank dollars, such exports consisting of cloth, rugs, soya beans and products, wool and medicinal herbs, while imports were made up of dyes, medicines, rubber, paper, machine parts, chemical products and tyres. The notification which was officially released by the Government of Hongkong under date of May 3 to the effect that the Communist authorities in Peiping have promulgated recently Exchange Regulations whereby the Bank of China has been authorised to handle Hongkong dollar drafts, and the appointment of three foreign banks in Tientsin to handle exchange, seem to imply that a better method of conducting trade than that of the barter system may be in contemplation. It is inconceivable that a country like China with its huge population needing supplies of every description, can be content to labour long under such a limitation of trade with other nations. It is quite understandable that the Communists need time to organise the large industrial centres to which they have fallen heir before starting the intricate machinery of international trade, but we are convinced that it cannot be very long before they realise the necessity of extending their commercial transactions, and to quote Sir Alexander again "We hope that Communist China is going to be friendly towards the foreign Powers and to foreign places such as Hongkong."

The Yangtse Incident and Sino-British Cooperation

(By a Chinese Observer)

On the eve of the Chinese People's Liberation army commencing large-scale operations against the fleeing Kuomintang troops south of the Yangtse river and just at a time when far-sighted British statesmen and merchants were seriously considering to develop adequate ways and means of getting into regular contact with the new People's Government of China, the Yangtse incident involving H.M.S. "Amethyst" must have happened on April 22nd. This incident is very regrettable indeed inasmuch as China and Great Britain are both peace-loving members in the family of nations and as this incident never was bound to occur. After the damage having been done public opinion naturally has become agitated in Britain as well as in China and some factions in both governments are trying to make the other party responsible and liable to indemnification for the loss of human lives and material destruction.

It must be admitted by China that among a number of big powers Great Britain has, by virtue of negotiated treaties, acquired from China certain privileges, among others, the opening of Chinese inland waters to British merchant navigation and the stationing of British men-of-war in certain areas. On the other hand, Britain has gradually given up her special treaty rights voluntarily and by friendly negotiations, which fact, and also the appreciation expressed by the Chinese towards the gentle and fair attitude of the British diplomacy, have cultivated Sino-British friendship and placed it on a solid foundation of goodwill and mutual understanding. This relationship was never closer and more sincere than at the present time. What a pity if this ever growing friendship should be spoiled even to the least extent by an incident caused by a mere mistake or the inability of the men on the spot to manage the changed situation and to keep step with the advance of time.

Therefore it seems to be imperative for every Chinese and Britisher to make their minds free from all out-dated and traditional sentiments and prejudices and to try to think as if one were in place of the other, that is to say by looking upon this matter from a higher post of observation where only one can arrive at a comparatively fair and just conclusion without wasting too much time on quarrelling about insignificant trifles.

Being a Chinese and reading some of the British comments about this regrettable incident, especially speeches made by the opposition in the British parliament, the writer wishes to express some of his personal views which might be useful to consider abroad before coming to a conclusion.

The new People's Government of China, at Peiping, although not yet re-

cognised as such by any of the foreign powers, has nevertheless been accepted by the majority of the Chinese people as the de facto as well as the de jure successors to the defunct National Government of China even prior to the capture of Nanking. Recently when municipalities and cities in the North and North East fell one after another into the hands of the new People's Government the foreign powers did not order the withdrawal of their diplomatic representatives, and this fact might be interpreted as signifying that the powers are neither ignoring the existence of the new Government nor inclined to sever all connections with that Government. Nobody could well deny the knowledge that the Chinese liberation army under the command of the People's Government is now carrying on a war against the Kuomintang troops which became very acute at that sector of the Yangtse when H.M.S. "Amethyst" was passing. The question might be raised, why the British Naval Command in the Far East failed to notify the new People's Government in Peiping through the British diplomatic representatives for sake of taking the necessary precaution. Neglecting this it would seem that the British Naval Command did not proceed with due care, particularly at that critical moment. We can remember the capture of the German ship "Altmark" by the Royal Navy on neutral waters at the beginning of last war and Great Britain had then justified her action on grounds that intelligence had been received stating that "Altmark" was carrying British prisoners of war en route to Germany. At a time when war operations are in full progress the belligerent parties are entitled to take any action against anything arousing suspicion for the sake of self-defence.

Quite a few observers are inclined to discuss the question of the "Amethyst" in combination with other factors of political significance, such as in relation to the nature and form of the new Chinese Government and to the political tendency of this Government relative to foreign affairs. But by this kind of speculation the settlement of the present incident cannot be helped because there is no relation between these factors. To bury the present incident it is most important to localise the facts by means of ignoring the minor items and to take a charitable view—on both sides.

As to the question what will be the nature and form of the coalition Government of China in the future the following might be said. The Chinese Communist Party has with the support of the vast majority of the Chinese people started a war against the Government of the Kuomintang and, therefore, it will be up to the Chinese to decide to what extent a multi-party coalition is to be formed. Prior to this decision being made one can only guess

whether the Government is going to take the form of "new democracy", or will be dominated by the Chinese Communist Party, and in the case of a purely Communist Government being formed, whether it will be exactly according to the Soviet Russian pattern or something different. Wait and see is the watchword of the moment.

People are also much concerned about the foreign policy of the new People's Government of China. To judge by the way foreign nationals are treated at Tientsin and Peiping and by studying the speeches given by Government spokesmen one can see that there is not the least trace of any anti-foreign sentiment involved in the present people's political movement of China. New China is doing her best to make herself qualified as a member in the family of nations. In respect to foreign relations China wants nothing but equality. There should be no superiority complex on the part of Chinese chauvinists as prior to the Boxer incident, nor a national inferiority complex as resulted from that time up to the regime of the Kuomintang vis-a-vis foreign nations. In fact the national rehabilitation of China will have to rely to a great deal on the assistance from friendly nations, materially as well as in respect of education and modern sciences, but China is also prepared to reciprocate for what she receives. In short, China needs friends and cannot afford to have any enemies.

As was stated at the outset, the Chinese, especially the educated people, are greatly appreciative of the virtues and high intellectual standard which the British people have attained. For that reason, and in full recognition of the past services rendered by British statesmen and businessmen to the well-being of China, continued close cooperation between the two countries is desired by the Chinese, and to judge by utterances heard in London, this is also fully shared by the common people in Britain. In the dark years of civil war the British have abstained from interfering and have maintained an admirable role of unbiased observer, always however anxious to help where help was required.

Hongkong, in particular, can show a fine record; in spite of Kuomintang pressure and certain threats the political asylum of Hongkong remained untouched and to this day every Chinese, irrespective of political belief, is welcome here. It is to the credit of Hongkong and its Government that much suffering in China was alleviated, that trade between China and overseas countries was kept going, and that many people could save their properties from seizure and depreciation by fleeing to Hongkong. It would appear most necessary that in future the status of Hongkong in the Far East does not undergo any change; this question has been raised recently by several private commercial interests and also by some visiting newspapermen—but it has not even been mentioned by the new Government in Peiping or by anybody con-

The Public Utilities of Hongkong

(Report by Hongkong Government).

The supply of water to the Colony is undertaken by the Public Works Department of the Government. The generation of electric power is in the hands of two private companies one of which operates on the Island of Hongkong and one in Kowloon and the New Territories. Domestic gas is supplied on both sides of the Harbour by the Hongkong and China Gas Co., Ltd. Bus, tramway and ferry services are in the hands of private companies. Broadcasting is a Government undertaking under the control of the Postmaster General.

Waterworks.

There are no large rivers or underground sources of water and the Colony has to depend for its water supply on the collection in impounding reservoirs of the rains falling on upland gathering grounds. These reservoirs are thirteen in number and collect the heavy South-West monsoon rains between May and September. Little rain falls in the remaining months of the year, so that the storage necessary to provide for an all-the-year round supply is relatively heavy. The total capacity of existing reservoirs is 5,970 million gallons, only 2,362 million of which are on the Island. Of the 3,608 million gallons on the mainland 2,921 million are contained in the Jubilee Reservoir at Shing Mun. This reservoir is the largest in the Colony and the 275 foot dam forming it is one of the tallest in the Empire. To augment the run-off from areas draining directly into the reservoirs, about 35 miles of catch-water channels have been constructed on the hillsides to lead the water from other areas, normally draining elsewhere, into the reservoirs. Despite the completion of the Shing Mun Valley Scheme in 1941, the increased growth of the population resulted in a demand still in excess of the available resources, and investigations were begun for a new source of supply in Tai Lam Chung Valley on the mainland. This work, consisting of extensive drilling and a geophysical survey was completed during 1948, and it is hoped that it will be possible to make an early start

connected with it and holding any position of authority. There is, consequently, no cause for assuming that the new Government of China will request the British Government to consider the transfer of Hongkong to Chinese jurisdiction.

For a long time to come, Hongkong will be destined to play an important role as promoter of international trade which will redound to be benefit of the business community in this part of the world and elsewhere, irrespective of race and nationality. One may assume, with good reason to support such assumption, that the new China will maintain the most amicable relationship with Hongkong.

on this new scheme which will approximately double the Colony's water resources within the next ten years.

Slightly over 40% of the Island's consumption is supplied from the mainland reservoirs, the water being conveyed across the harbour in two 21" diameter submarine pipes. On account of the hilly nature of the Island a big proportion of the water has to be pumped and in some areas re-pumped, necessitating a large number of pump and service reservoirs. Most of the water supplied is both filtered and sterilised by chemical treatment and a satisfactory standard of purity is maintained, but sterilising of the filtered water has suffered somewhat owing to the failure of supplies of Chlorine Gas which necessitated a reversion to the use of Chloride of Lime. All water is supplied to consumers through meters, and the charge is based on the total cost of provision including capital charges. Severe restrictions in the hours of supply were imposed between January and June to make the available storage last out until the summer rains, and daily consumption reached record figures both on the island and mainland during August. The average daily consumption for the year was over 30 million gallons, while peak consumption was over 40 million gallons.

Delivery of piping ordered was still slow throughout last year, but good progress was nevertheless made with the relaying and extension of water mains both for the city and for outlying villages. All pre-war ground and pedestal hydrants have now been repaired, and the replacement of the ground hydrants by pedestal ones was continued. It has not yet been possible to operate the waste detection system, although good progress has been made with the replacement or repair of the waste detection meters. An improvement in the delivery of water meters and spares has enabled the replacement of defective meters to be speeded up, and during last year most of the services were fitted with meters in good working order. At the end of March about 25,000 meters were in use. A new meter repair workshop for the Island was completed.

The erection of the new 8 million gallons per day rapid gravity Filtration plant at Stubbs Road was begun during 1948 and good progress was made. A new 400,000 gallon covered concrete Service Reservoir was constructed above West Point. Plans were prepared for new slow sand Filters at Wong Nei Chong to improve the Shou Son Hill supply, but work was not started. Plans for a new workshop and Depot for Kowloon were also prepared.

Electricity

Electricity on the Island of Hongkong is supplied by the Hongkong Electric Company, Ltd., which has made so much progress in rehabilitating the generating station and distribution

system that by the middle of 1948 the pre-war peak load of 20,500 k.w. had been exceeded and at the end of the year output was running at about 15% in excess of that generated in 1941. This satisfactory result had been achieved despite the fact that the undertaking is still operating with such of its pre-war generating plant as remained at the time of the re-occupation of the Colony in 1945. The boilers, turbo-alternators and other plant had suffered severely from neglect and misuse during the Japanese occupation, and the boiler plant in particular has been subject to frequent breakdowns due to undermaintenance which in turn was due to shortage of plant and consequent overloading. It was frequently necessary to bring additional plant on load at very short notice and to effect emergency repairs to maintain plant in service with its attendant strain on the station personnel. Limitations on output were imposed by the inadequacy of the effective steam-raising plant. In spite of these practical difficulties which limited the effective capacity of the Station to 25,000 k.w., a continuous supply was maintained during 1948. The position will be eased to some extent around the autumn of 1949, when plant ordered in the United Kingdom in 1945/6 consisting of a 15,000 k.w. turbo alternator, and a high pressure boiler will be installed and placed in commission.

During 1948, 7,261 additional meters were connected. A total of 366 street lamps were replaced and 11 during the year. The number of consumers at 31st December, 1948 was 44,587 and meters connected totalled 51,886. A total of 82,993,274 units was sold by the Company during 1948, an increase of 19,009,873 over 1947. The charges for electric current were reduced in January, 1948, from 37 cents per unit to 35 cents per unit for lighting while the discount rate of 5% for consumption over 1,000 units was re-introduced for domestic power, making the charge 14 cents/13.3 cents per unit. The charges for meter rents were reduced on 1st July, 1948 to their pre-war scales. Special rates are quoted for bulk supply of power to industrial users. It is anticipated that the demand for light and power will be increased during 1949, owing to the high level of factory and residential building activity in the Colony. Costs of coal and other materials and services remain extremely high being from 300% to 500% above pre-war levels.

Electricity in Kowloon and the New Territories is supplied by the China Light and Power Co., Ltd. Throughout the past year there has been an expansion in the industrial use of electricity when no less than 279 additional factories were connected to the Company's mains. Domestic consumption of current has increased, street lighting has been repaired in many places and large scale building operations are in progress which will raise still higher the demands for electricity. Plans have therefore been made for a wide extension of the Company's distribution system including the construction of at least two new sub-

stations. Erection of a new 20,000 k.w. high grade pressure turbo alternator has enabled the total generating capacity of the station to be raised from 30,500 k.w. at the end of 1947 to 50,500 k.w. by the end of 1948. The boiler plant capacity is 460,000 lbs. per hour, most of the boilers being operated on oil fuel. Some of the equipment for a new oil-fired high pressure boiler has arrived which it is hoped will be in operation by the end of 1949 and will raise the boiler plant capacity to 660,000 lbs. per hour. An additional 20,000 k.w. turbo alternator and an additional 200,000 lbs. oil-fired boiler are on order but are not expected until the second half of 1952. The price of the Company's lighting current was reduced from 40 cents at the end of 1947 to 32 cents at the end of 1948 while the price of power was reduced from 18 cents to 16 cents. The price of current for cooking and heating remained steady at 13 cents. Rents for meters have been reduced.

Gas

Gas is supplied on both sides of the harbour by the Hongkong and China Gas Co., which was first established in the Colony in 1861. The repair of plant and mains damaged and neglected during the Japanese occupation will be completed within the next year if materials can be supplied by manufacturers in the United Kingdom. The rapid expansion of the population since the re-occupation of the Colony has put a considerable strain on the company's resources, and the demand for gas is still increasing, but the whole of Kowloon and most of Victoria and the Peak are now supplied with gas. New appliances, such as cookers and geysers, have been imported to the value of \$700,000 and \$97,000 has been spent on new meters.

Tramways

The electric tramcar services operated by Hongkong Tramways Limited serve the industrial, city and main residential areas over routes, totalling 10 miles upon the northern shore of the Island, almost entirely laid as double permanent-way and exceeding 19 miles of track. The main task of rehabilitation which faced the Company, with only 15 cars of its rolling-stock fleet left in a mobile condition upon the re-occupation of the Colony in September, 1945, has been completed. At the close of 1948 a daily operation of 100 tramcars (all of saloon-top double-deck construction) were in regular service against a normal daily service of 92 passengers cars in the year 1941. In the progress of rehabilitation various technical, constructional and traffic-safety improvements have been incorporated. The more pressing problems of procurement of equipment and material supplies which hitherto retarded full recovery of pre-war standards were substantially overcome towards the end of the year. With one or two specific exceptions such as electric traction motors of improved specification, long awaited equipment is reaching the undertaking. New and additional tramcars are approaching

completion in the Company's workshops and will be in public service during the early months of 1949. In conjunction with the Public Works Department construction of a raised and widened roadway between Causeway Bay terminus and King's Road, an entirely new and realigned double-track permanent-way has been laid down, with foundations of the former track line abandoned at the old levels. The Company now has in project the completion of double-tracking certain remaining short sections of single-track at the eastern end of Shaukiwan Road. Since 1945 the permanent-way of the Tramways has been restored to very high overall standards of condition and maintenance. An average of 96 tramcars was operated throughout the year against an average of 80 for 1947. Nearly 88 million passengers were carried by the company's services being 21½ million more than in the previous year. This represents a traffic of some eight millions greater than in 1941. Very considerable expansion throughout the operational, works and maintenance department has followed these developments. An example is that a car-crew of four men including two conductors is now standard practice. The total labour force employed is numerically 70% greater than in 1941. Total wages costs are twelve times higher than at the close of 1941, with individual earnings from 500% to over 600% above pre-war rates. The fare structure is upon a flat-rate basis for any distance over any route—the maximum of which is 6½ miles—of 20 cents (3 pence) 1st class, and 10 cents (1½ pence) 3rd class. With increased service accommodation available, the former practice of concession fare tickets for regular passenger groups was re-introduced by the Company during the year by the issue of Monthly Tickets and Half-Fare Children's Tickets in addition to a 1st-class Half-Fare Military Ticket. A total of 13 million passengers was carried at these reduced rates.

The Peak Tramway, or as it was then known, the Hongkong High Level Tramway, was first opened for traffic in May 1888, and has provided almost without interruption for over sixty years one of the fastest and most efficient funicular services in the world. The winding gear was originally steam driven and the cars were attached to each end of a single rope, but this obsolete system was replaced in 1926 by modern electric haulage gear consisting of two drums in tandem with separate ropes of 5,000 feet. The steepest gradient (at May Road) is 1 in 2. Until motor roads were opened in 1924, it was the only means of transport to the Peak. At the outbreak of hostilities in 1941, the engine room and track suffered extensive damage from shell fire. After the fall of the Colony, the Japanese operated a limited service, which ceased altogether in August 1944. The liberation of the Colony in 1945 found the workshop stripped of equipment and tools, and reconstruction of the entire organization became a monumental task, but on Christmas Day of that year a service of 25 cars was re-in-

gured. Before the war, an average service of 97 cars per day was maintained from 6 a.m. to 12.15 a.m. Owing to the difficulty in obtaining tools and machinery replacements, resuscitation of the Company's former standard of service has been gradual; nevertheless, it catered successfully for 732,000 passengers in 1946 and 876,000 in 1947 with the figures reaching close to a million in 1948. Full scale rehabilitation of the plant and rolling stock has been completed. A minimum service of 51 cars per day is being operated and more cars are run as and when traffic demands.

Bus Services

Bus services are maintained in Kowloon and the New Territories by the Kowloon Motor Bus Company and on Hongkong Island by the China Motor Bus Company. Both companies have succeeded in increasing the number of buses in service during the year, in spite of difficulties of supply, and there are now 108 buses on the Island, the same number as there were before the war, and 152 on the Mainland. The Kowloon Motor Bus Company took delivery of 79 new buses during 1948 and was able from the middle of the year to reduce gradually the number of converted lorries, seventy of which had been used as buses since the liberation. Twenty double decker buses have also been received for service in Kowloon and the New Territories. Only one pre-war route on the Mainland and one on the Island have not yet been reopened; two new routes have been started serving Sai Kung and Clear Water Bay. Operating costs for both Companies remained high, but some fares on the Island were reduced during 1948 and the Kowloon Motor Bus Company plans a lower scale of fares. Buses on the Mainland travelled 9,650,000 miles and carried about 56.5 million passengers. On the Island buses carried over 20 million passengers over a total distance of nearly 3 million miles.

Ferries

The Star Ferry Co., operates a passenger ferry across the shortest crossing of the harbour from a point in the centre of Victoria to Tsim Sha Tsui at the Southern extremity of Kowloon Peninsula. Five launches are now in service and operate daily for 19½ hours, a five-minute service being maintained over the rush periods, a ten-minute service at normal times and a fifteen-minute service in the early morning and late evening. Over 28 million passengers were carried in 108,800 crossings during the year. In December 90,000 persons were transported daily which is three times the number carried before the war. Fares remained unchanged throughout the year.

The Hongkong and Yau-ma-tei Ferry Co., Ltd., which operates the vehicular ferry with three vessels was able during the year to resume its pre-war schedule by which ferries sail at twelve minute intervals. Before the resumption of the full service there used to be as many as 150 vehicles waiting in queues after a vessel had left her

berth. This improved service was made possible by refloating and reconditioning the third vessel which was sunk in December 1941. Alterations made to all three vessels now enable an extra 12 small cars to be carried in side compartments if necessary. This company also provides a passenger ferry every ten minutes to Mongkok and Shamshui, but it has not yet proved possible for lack of ferry piers to re-open the pre-war services to Kowloon City and Hung Hom. The ferry piers at Tsun Wan, Tsing I Island and Castle Peak are still to be reconstructed. As a result the existing ferry and bus services remain overcrowded. Passenger ferry services provided by the Hongkong and Yaumati Ferry Company to Cheung Chau Island, Silvermine Bay in Lantau and to Ping Chau Island have been well patronized especially during week ends and holidays in the summer months by people who wish to bathe from the clean and beautiful beaches on these Islands. Others visit Lantau to climb to the Summer Rest Camp or the monastery at Ngong Ping which are situated at about 2,000 feet above sea level. Salvage operations have been begun on the sunken passenger ferry vessel "Man Tak" and the vehicular ferry "Man Gok" both of which were sunk during the war by Allied bombers in the West River about 150 miles from Hongkong. It is hoped that both vessels may be back in Hongkong by the end of 1949. Operating costs of all services have remained high.

Broadcasting.

Radio Hongkong is a sub-department under the control of the Postmaster General. Transmissions are made from two stations, ZBW (845 k/cs) which is an English language station and ZEK (640 k/cs.) from which broadcasts are made in Chinese. Short-wave transmissions are also made from ZBW on a frequency of 9.525 megacycle. Broadcasting programme hours have been increased during 1948 to cover the introduction of religious services and French, Portuguese and Italian programmes.

Telephones.

The Public Telephone Service is provided by the Hongkong Telephone Co., Ltd. Before the war the Company was serving 14,000 lines on the island and 5,100 on the mainland besides a system of 500 Government and military lines on a separate automatic exchange. In spite of the grave damage caused by neglect and under-maintenance during the occupation the Telephone Company succeeded in maintaining a continuous, though restricted service from the moment of the re-occupation in spite of the fear of imminent breakdown during the years 1945 and 1946, and has now made good most of the damage. Concurrently with this work of rehabilitation, preparations for the expansion of the Company's plant have proceeded apace and an ambitious programme is in hand to cope with the ever increasing demand for telephone

service. Exchange equipment, cable and telephones have already been received which it is hoped will enable the Company to increase the number of working lines in Central and Kowloon Exchanges by 2,000 lines by May, 1949. Further equipment is on order with the aid of which it is proposed to increase Central Exchange to 17,000 lines and Kowloon to 7,000 lines. A new peak Exchange for 400 lines is in course of construction. Two new submarine cables were laid across the harbour during the year. Buildings are under construction to house additional telephone exchanges in Hongkong and Kowloon.

The External Trade of Indochina during the year 1948.

The development of Indochina's external trade since 1945 has consistently reflected the fluctuation of the general situation of the country. In 1945, as a consequence of the events which paralysed Indochina's economy, the foreign trade returns had fallen alarmingly. The return of the French Authority permitted, following the liberation, the export of the stocks of rubber and pepper which had ac-

cumulated during the war, and the considerable excess of the trade balance of 1946 was a result of this. But it is not yet time to talk of the economic recovery of the country. This shows itself, very significantly, in the slow and but steady increase in the volume of trade in 1947 and 1948. The following table gives a general view of this.

Years	Imports		Exports		Balance of Trade
	Quantity 1,000 tons	Values Millions of Piastres	Quantity 1,000 tons	Values Millions of Piastres	
1938	490	195	3,995	290	+ 96
1945	16	17	60	18	+ 1
1946	156	310	301	690	+ 380
1947	220	967	234	466	- 501
1948	351	2,358	540	1,172	-1,186

In 1948 the amount of imports made remarkable strides. The index of the volume of imports (based on 100 in 1938) passed from 76 in 1947 to 117 in 1948, that is to say, they attained the 1939 level. The value of these imports rose from 967 to 2,358 million piastres. As regards the latter figure, due allowance must of course be made for the rise in prices that followed the monetary modifications of January and October 1948. One can consider, nevertheless, that even had prices remained constant, the value of imports in 1948 would have reached more than 150% of the 1947 figure. In the light of these figures one can appreciate the progress made in 1948.

As regards exports, the results, although much less striking are none the less encouraging. The export tonnage rose from 234,000 tons in 1947 to 540,000 tons in 1948. The value of goods exported during the same period was more than doubled; 1,172 million piastres as against 466 million in 1947. Here again, one must take into consideration the rise in prices before judging the result. But it can be established that at constant prices the value of the exports would have risen at least 64%. In spite of this appreci-

able progress Indochina is still far from the pre-war level of exports.

In these circumstances, it is not astonishing that the trade balance, which formerly showed a steady surplus, shows for the year 1948 a deficit of 1,186 million piastres. It must be noted that the deficit has even increased in comparison with 1947, when it reached 501 million piastres. The increased prices of 1948 greatly exaggerate the real difference between these two deficits, but it remains none the less true that the clear superiority of the recovery of imports over exports tends to aggravate, by comparison with 1947, the deficit of the balance of external trade. This adverse balance does not, when analysed, present distressing features, for the increased expenses of reconstruction and equipment, which so considerably add to the weight of this deficit are, in fact, the sign of the re-birth of the sound economy of Indochina.

Principal Products Imported

The increase of 51% noted in the volume of imports is shared by nearly all articles. The import level of nearly all food products was higher in 1948 than in 1947. For certain items—for example sugar—the tonnage imported in 1938 has been passed by an appreciable margin (1938: 1,440 tons. 1947: 9,990 tons. 1948: 11,248 tons). This is explained, amongst other reasons, by the fall in local production by comparison with 1938 and by the growth of the European population. Indochina imported also more wine and spirits than in 1938 and altogether such imports have risen by 28% in comparison with 1947 (1947: 14,894 tons. 1948: 19,012 tons). Preserved meats, live animals and vegetables have risen in equal proportions. Conspicuous was also a heavy increase in the import of spices. The only item that has dropped since 1947 is the import of farineous foodstuffs.

Among items whose import has attained even higher levels are noted certain articles of common usage such as medicaments (1947: 460 tons, 1948: 1,595 tons, say an increase of 110%), paper and printed matter (1947: 5340 tons, 1948 16,610 tons, an increase of 210%). Sewing thread has seen its tonnage rise from 1,397 tons in 1947 to 2,149 tons in 1948. On the other hand Indochina imported less textile materials (12,128 tons of cotton material as against 15,400 tons in 1947).

Amongst the consignments of goods interesting from the point of view of reconstruction and equipment one notes important arrivals of soft coal, petrol and its by-products, iron and steel (1947: 7841 tons, 1948 17384 tons, 120% increase). The imports of machines and tools have almost doubled the level of 1938 (1938: 4,942 tons, 1947 5,042 tons, 1948 9,165 tons). The imports of automobiles, accessories and spare parts have almost tripled in comparison with 1938 (1938, 3,222 tons, 1947; 8,742 tons and 1948: 8,621 tons).

Principal Products Exported

The appreciable improvement of exports of 1948 over those of 1947 can be analysed on the one hand in the increase of the export of rice and certain other products (fodder, dry vegetables, coal, cement) and on the other hand in the appearance of new exports such as soap, sea salt, limestone.

If the exports of 1948 are classified according to their importance in value, one finds, firstly, the export of rice (36.6% of the total) and then rubber (26.4%) whereas in 1947 these two products were in the inverse order of importance. In the third rung comes maize in the place of pepper in 1947. After which there are dry vegetables, pepper, coal and salt fish.

In this way Indochina did approach the order of pre-war exports, but the tonnages remain very much below pre-war figures.

The recovery of the economic life of Tonkin is expressed in the exports of heavy material which is greatly increased in comparison with 1947 export tonnage, although the total value of the exports is not indicated in the figure.

Rice and by-products.

The exports of rice and its by-products rose from 90,625 tons in 1947 to 232,935 tons—to a value of 151,708,000 piastres; that is to say, the equivalent in weight of the total of exports of 1947. However Indochina is still far from the average of 1,500,000 tons exported between 1934 and 1948.

In the frame of the allocations of the I.E.F.C. (International Emergency Food Council) Indochina has improved its exports of white rice and broken No. 1 and 2 which passed from 99,500 tons in 1946 and 52,400 tons in 1947

to 173,900 tons in 1948. This increase is manifested above all in the shipments to the French Union as one can see by the following table.

Destinations	1946 Tons	1947 Tons	1948 Tons
France	—	7,074	22,041
French Union	24,850	19,111	103,976
China	47,300	1,499	4,196
Hongkong ...	—	5,423	11,997
India	—	8,635	10,503
Indonesia	—	8,492	—
Malaya	27,300	—	21,171
Other countries	—	2,098	—
Total	99,450	52,382	173,884

The exports of broken No. 3 and low grade rice flour unfit for human consumption are not included in the allocations of the I.E.F.C. They approach somewhere near 59,000 tons as against 38,000 tons in 1947.

Rubber.

On account of the average price rise of the rubber-market between 1947-48 exports of rubber have appreciably increased in value (1947: 186 million piastres, 1948: 309 million) in spite of a reduction of 20% in the exported tonnage (1947: 51,707 tons 1948: 42,066 tons). This reduction is not the result of a slackening of production, which on the contrary increased in 1948, but can be explained by the swollen exports of 1947 on account of the sale of stocks accumulated during the war.

Maize.

A great improvement in the production of maize during 1948 has brought the exported tonnage to 46,584 tons against 5,080 tons in 1947. It is unlikely that the level of exports will be maintained for the drop in the world market makes the cultivation of maize less profitable. In 1948 three-quarters of the production would not have been sold above its cost-price except for the favourable exchange allowed by France in her purchases of this commodity.

Fodder.

For the time the export of fodder occupies in Indochina the fourth rank in values: 50 million piastres, that is, 4.3% of the total exports. The exported tonnage is 33,429 against 12,083 in 1947 and 4,214 in 1938. Fodder is a matter of a variety of mixed flour, rice and maize, oil-cake and salt intended for cattle feeding. The shipments were 80% to France, and 20% to Singapore. This rise in exports of fodder seems likely to be of short duration, as the re-birth of competition on the French market had already created a total suspension of shipments to France during the last months of 1948.

Dry Vegetables.

The exports of dry vegetables have doubled in comparison with 1947 (8,965 tons against 4,094 in 1947). In value they reached 49 million piastres.

This increase is due to the extension of cultivated areas provoked by

the high price level of the dry-vegetable market.

Pepper.

In 1948 the export of pepper did not attain the level of 1947: 1,402 tons compared with 1,691, in spite of a slight increase of cultivated areas occasioned by the unexpected rise in the pepper market during the year; the disease that has struck the pepper plantations during the last few years has not permitted an increase in production.

Coal, Cement and other Heavy Products.

In the first rank of Tonkin's effort comes coal of which 68,973 tons have been exported against 39,219 tons in 1947 and 1,500,000 tons in 1938.

On the other hand exports of cement have risen from 6,172 tons to 24,912 tons. There also has been the renewal of exports of limestone (13,156 tons) which were interrupted since 1941. Exports of phosphate of lime are still being made from the stocks of 1944.

Miscellaneous Exports.

The exports of dried fish are maintained at a fairly constant tonnage (2,200 tons) but the price fall in the market has lowered their value from 17 million piastres in 1947 to 11 millions in 1948.

The export of kapok comes immediately after coal in order of importance and it reached 2,245 tons, that is 65% of the 1938 tonnage.

One must take into account in the commerce of 1948 a considerable reduction in the exports of rosin (colophane), but there were also some new articles, namely two new items of export: sea-salt (23,000 tons) and soap (1,741 tons).

Principal Buying and Selling Countries

The franc area (France and her overseas possessions) takes first place, with about 2/3rds of the commercial exchanges, for imports as well as exports. France alone has supplied 63% of the imports of Indochina in value as against 56% in 1947. Food products take the same place as in the preceding year; imports of paper, medicines, glass and crystal and other similar items have increased. There has been noted a remarkable effort of France in all that concerns the economic recovery of Indochina.

Automobiles and spare parts (4,392 tons against 2,067 in 1947) machinery and mechanical equipment (4,060 tons against 1,543 in 1947) iron, cast-iron and steel (10,183 tons against 5,904 in 1937) showed great progress. The total imports from France reached 131,178 tons at a value of 1,478,285 thousands of piastres against 67,716 tons valuing 545,186 thousand piastres in 1947.

Commerce with U.S.A. has increased in tonnage and in value, but the figures represent a smaller part of total commerce of Indochina than in 1947. (13% of imports instead of 20% and 3% of exports instead of 8%). The U.S.A. has furnished more

mineral oils, motorcars and metals. As regards the exports from Indochina the shipments of rubber to the U.S.A. have seriously decreased since 1946 and 1947.

Vis-a-vis the Sterling area one can repeat what has been said as regards the U.S.A. The volume of trade has increased but the sterling area's share of the total external trade of Indochina has diminished to the profit of the franc area. (4% of imports against 8% in 1947;—25% of exports against 30% in 1947)

Imports from Hongkong have considerably diminished. Exports on the contrary have risen, due to the growing shipments of rice, dried vegetables, cement and limestone.

From Singapore were received 1,254 tons of mineral oils and 1,290 tons of mixed coal which brought the imports from this country to 3,267 tons against 319 tons in 1947. Indochina's exports have in the same time more than doubled (101,431 tons compared with 43,627 in 1947) on account of the shipments of cement, fodder, rice and its by-products.

Trade with India and Pakistan has also improved the position of Indochina; exports rising (9,978 tons against 2,007 in 1947.) and imports (5,310 against 7,459 tons in 1947); jute bags constituted the main item.

Trade relations with neighboring countries of Indochina—Siam, China, Indonesia—are making remarkable progress. The imports from these countries represent 5% of the total as against 2% in 1947, and exports, 9% against 5%.

Vis-a-vis Siam, Indochina has increased both imports and exports since 1947, imports rising from 10,339 tons to 14,157 and exports from 8,444 tons to 14,105 tons. In value the increase was from 1 to 5 for imports as the products are expensive, particularly in respect of textiles; and for exports the increase was only from 1 to 4, in respect mainly of soya, grains and fodder.

Imports of petrol and its derivatives from Indonesia are showing considerable increase: 68,981 against 45,579 tons in 1947. This being 85% of such imports into Indochina, the other 15% coming from the U.S.A. and carrying freight expenses of a considerably higher figure. As Indochina has not been able to export rice to Indonesia this year the exports to that country are consequently negligible.

Concerning China, Indochina has exported as before the war, but in much smaller proportions, coal, rice and also phosphate of lime. China has sent to Indochina in return important shipments of potatoes (4,057 tons against 1,552 tons in 1947).

The recommencement of exports to Japan (59,360 tons of which 56,087 tons were of coal) has been noted in 1948. The promotion of trade between Japan and Indochina will bring mutually satisfactory results in 1949. A trade agreement between the two countries has been signed providing for important expansion of commerce.

Indochina's Shipping

Shipping in 1948 of Saigon showed 555 ships of a tonnage of 1,490,000 arriving and 556 ships with a tonnage of 1,432,000 departing. Commercial cargo discharged in 1948 at Saigon was 645,000 tons, and loaded 550,000 tons. In 1947 comparative figures were 550,000 and 338,000 tons respectively.

Next to Saigon come in importance the ports of Haiphong and Bay d'Along. These two ports showed in 1948 the arrival of 218 ships of 385,000 tons, and departure of 214 ships of 349,000 tons. Prewar figures (1940) for these two ports were larger, viz. arrivals 359 ships of 1.1 million tons, and departures 353 ships of 1.2 million tons.

Saigon Port Returns

Flag	No. of Ships			Tonnage of Ships (in thousand tons)		
	1938	1947	1948	1938	1947	1948
Arrivals						
French	156	140	200	1,169	605	697
British	184	124	165	758	183	224
U. S. A.	9	34	42	53	114	181
Norway	24	40	63	111	52	91
Panama	2	12	11	8	27	21
Others	201	53	74	1,124	144	276
Total	576	403	555	3,223	1,155	1,490
Departures						
French	124	137	202	841	600	648
British	189	125	164	780	186	227
U. S. A.	8	35	41	47	149	181
Norway	20	39	64	87	52	89
Panama	5	12	10	17	25	17
Others	213	56	75	1,163	154	270
Total	559	404	556	2,935	1,166	1,432

Indochina's Civil Aviation

During the year 1948 civil aviation has greatly expanded in Indochina. In domestic air transport a total of 25,708 aircraft landed and arrived at the 23 civil airports in the country. Passengers transported in domestic air traffic numbered 206,775. Freight carried in domestic civil transport by air was 10,418 metric tons. Principal civil airports are: Saigon, Soctrang, Phnom-Penh, Hanoi, Tourane, Nhatrang, Seno, Vientiane, Dalat, Haiphong, Cap St. Jacques.

Arrivals in 1948 in domestic civil air traffic: 12,881 aircraft, 102,792 passengers, 4,972½ tons of freight. Departures: 12,827 aircraft, 103,983 passengers, 5,445.1 tons of freight.

In international air transport of Saigon during 1948 a total of 1,392 aircraft landed and took off, 19,527 passengers flew in and out, and freight handled amounted to 1,211 tons.

Following are the 1948 civil aviation returns for the airport of Saigon:—

Airports	Arrivals			Departures		
	No. of aircraft	Passengers	Freight kgs.	No. of aircraft	Passengers	Freight kgs.
Paris	187	5,043	344,923	194	5,075	368,868
Bangkok	55	602	25,708	58	780	28,274
Hongkong	64	1,940	59,131	65	2,031	56,878
Rangoon	1	7	1,600	—	—	—
Shanghai	23	502	18,702	24	662	22,248
Singapore	59	523	27,339	61	503	15,043
Others	299	848	122,823	302	1,011	119,509
Total	688	9,465	600,226	704	10,062	610,820

Indochina's Official Exchange Rates

The current official TT rates in Saigon are: per one Indochina piastre: French metropolitan francs 17 (prewar 19); francs in the African Empire 8.50; francs in the French Pacific Possessions 3.17. (It is contended that the present

TT Paris rate is too high and that only around 10 to 12 piastres per one French franc should be fixed as the official exchange rate).

Foreign exchange rates for TT, in piastres: London 62.80 (prewar 17.17); New York 15.72 (prewar 3.52); Hong-

INDOCHINA'S TRADING PARTNERS

(in thousands of Piastres)

	Imports into Indochina						Exports from Indochina					
	1938	%	1947	%	1948	%	1938	%	1947	%	1948	%
France	101,560	53.0	545,186	56.3	1,478,285	62.7	134,610	47.3	215,135	46.2	511,727	43.7
French Union	7,850	4.1	28,905	3.0	63,249	2.7	16,250	5.7	27,646	5.9	207,049	17.7
Australia	740	0.4	13,859	1.4	27,636	1.2	490	0.2	312	0.1	430	0.0
China	10,360	5.4	49,948	5.2	106,951	4.5	7,600	2.7	10,931	2.4	24,731	2.1
U. S. A.	10,320	5.4	186,867	19.3	298,340	12.6	24,880	8.7	36,957	7.9	26,945	2.3
U. K.	6,260	3.2	16,034	1.7	60,192	2.6	5,950	2.1	1,734	0.4	263	0.0
Hongkong	14,840	7.5	25,222	2.6	13,110	0.6	28,100	9.9	84,319	18.1	134,179	11.5
India	5,340	2.9	18,954	2.0	28,573	1.2	520	0.2	2,199	0.5	27,914	2.4
Indonesia	8,390	4.4	13,692	1.4	43,047	1.8	2,720	1.0	1,077	0.2	198	0.0
Italy	150	0.1	15,327	1.6	39,543	1.7	260	0.1	—	—	163	0.0
Japan	5,560	2.9	1,896	0.2	9,885	0.4	8,700	3.0	—	—	33,905	2.8
Siam	3,600	1.9	12,110	1.2	63,362	2.7	1,370	0.5	11,276	2.4	44,370	3.8
Singapore & Malaya	6,360	3.3	1,556	0.2	5,363	0.2	27,670	9.7	54,566	11.7	112,969	9.7
Others	10,650	5.5	37,742	3.9	120,525	5.1	25,350	8.9	19,404	4.2	17,143	4.0
Total	191,680	100	967,298	100	2,358,061	100	284,470	100	465,556	100	1,171,986	100

Imports & Exports of Indochina

For the year 1948 with comparisons for 1947 and 1938.
Total tonnage figures per 1,000 tons.

Total value figures per one million piastres.

Volume index based on 1938 at 100.

Price index based on the first half year of 1939 at 100.

Value figures of principal products in 1,000 piastres.

IMPORTS

	1938 Average Monthly	1947 Year	1948 Year
Total tonnage	40.8	21.9	351.3
Total Value	16.2	967.3	2,358.1
Volume index	100	76	117
Price index	84	705	1,084

Tonnage of Principal Products

Living animals	222	1,670	3,453
Milk products	477	3,252	3,640
Wheat flour	2,017	9,134	7,326
Potatoes	387	7,719	6,570
Sugar	120	9,990	11,248
Tobacco, cigarettes	342	3,231	3,395
Vegetables	1,352	4,219	6,365
Edible oils	37	6	798
Wines, liquors	827	9,344	12,086
Spirits and liqueurs	63	3,204	2,709
Gasoline, petrol	6,046	32,020	56,909
Petrol products	3,555	18,968	32,539
Iron and steel	3,763	7,849	17,140

kong 3.95 (prewar 1.07, and of 1947: 1.79; Jan./Oct. 1948: 3.18); Singapore 7.35 (prewar 2.00); India 4.73 (prewar 1.29); Manila 7.80 (prewar 1.78); Bangkok 1.60 (prewar 1.59).

On the open exchange market of Hongkong TT Saigon quotes around 10 piastres per one HK\$.

Indochina's Public Finances

(in millions of piastres)

Fiscal year	Receipts	Expenditure
1939	115,255	113,603
1940	119,140	129,325
1946	293,062	293,062
1947	742,105	741,085
1948	1,249,937	1,249,937
1949	1,426,611	1,426,611

Monthly
Average
1938Year
1947Year
1948

Perfumery	52	647	921
Patent medicines	32	761	1,591
Cotton yarn	159	886	1,423
Other yarns	154	511	728
Jute bags	1,733	6,697	5,012
Cotton piece goods	673	8,426	6,105
Other piece goods	1,911	276	6,023
Paper, paper products ..	976	5,340	16,610
Machines and tools	587	5,042	11,196
Metal goods	1,064	11,578	13,352
Rubber goods	140	1,323	2,604
Motor cycles & accessories	77	445	1,487
Automobile & parts	269	8,724	8,621

Value of Principal Products

Living animals	38	30,727	48,682
Milk products	373	14,345	32,624
Wheat flour	330	10,943	17,737
Potatoes	31	9,923	13,640
Sugar	24	14,816	21,135
Tobacco, cigarettes	335	24,227	45,333
Vegetables	166	17,649	45,353
Edible oils	24	75	8,232
Wines, liquors	293	60,870	91,655
Spirits and liqueurs	96	41,873	43,652
Gasoline, petrol	644	10,067	38,367
Petrol products	218	9,217	27,705
Iron and steel	786	9,161	36,334
Perfumery	101	16,948	28,454
Patent medicines	199	26,396	67,122
Cotton yarn	347	18,355	44,257
Others yarns	494	7,403	25,466
Jute bags	532	16,273	28,708
Cotton piece goods	2,046	233,373	317,874
Other piece goods	1,543	15,389	149,300
Paper, paper products ..	503	31,153	151,300
Machines and tools	1,146	42,552	200,458
Metal goods	745	45,873	111,488
Rubber goods	285	18,977	46,848
Motor cycles & accessories	152	11,024	62,904
Automobiles and parts ..	556	66,867	121,445

EXPORTS

Total tonnage	332.9	233.5	540.4
Total Value	23.7	465.6	1,172.0
Volume index	100	24	39
Price index	103	628	952

Tonnage of Principal Products

Raw hides	197	1,457	1,103
Fish, dry, salt, smoke	2,683	2,207	2,184
Fish oil	79	2,076	1,952

EXCHANGE & FINANCIAL MARKETS

USS Market

Open market rates continued strong and buyers from all sectors of the business community remained insistent. Like in the previous week, overseas sellers — seeing the unique opportunity to dispose of their funds in the U.S. at the best prices in the world today — rescued the market here from dropping even further. Although some confidence in the local currency was slowly returning and Canton was again using HK\$ in larger amounts than during the period following the ill-advised ban on gold dealings in Hongkong on April 14, the buying pressure from ordinary cargo and especially metal importers was high, aided as it was by the demand for US notes, drafts and TT New York by wealthy Chinese politicians and refugees from the north.

Highest & lowest rates of last week, per US\$100: notes HK\$627—610 (corresponding to crosses of US\$2.55—2.62); DD 603¼—582; TT 606—587 (crosses of 2.64—2.72½).

Against the official draft buying price of local banks (HK\$395) the current open market DD rates are 47 to 53% higher. Against the unofficial sterling price in New York (for funds in London) the local cross rate was last week 15 to 18% lower (or, conversely, New York's unofficial price for TT London was 17 to 21% higher than the local cross rates). Arbitrageurs could make unusual profits by mailing locally purchased sterling drafts on London to New York for sale in the unofficial market there (such transactions being negotiated between private persons and not banks).

Many neighbouring free exchange markets were influenced by the developments in Hongkong and quoted

HK\$ and sterling much lower in terms of TT New York. Thus, Bangkok — a market which has become increasingly important in the Far East — quoted prior to Easter (and the ill-advised gold ban in Hongkong of April 14) sterling at a cross from US\$3.06—3.15 but after Easter the cross rate declined following behind Hongkong; in the previous week 2.80 were recorded while last week's Bangkok crosses for New York/London were between 2.89/2.93. As however Hongkong offered last week US\$2.64—2.72½ per sterling, Bangkok holders of funds in the U.S. sold in Hongkong rather than anywhere else. These Bangkok sales of TT New York, apart from the usual triangular arbitrage (Bangkok-Hongkong-New York), tended to improve the local rate for HK\$ in terms of free market TT New York.

Remarkable is the continued difference in local quotations for notes and TT. While ordinarily TT quotes slightly higher than notes, there has been recently a heavy premium for notes which was caused by Chinese flight capitalists' investing in US notes rather than in bank accounts in the US, and by the demand in China for more American banknotes where they, in certain cities, circulate as an "ersatz" national currency of China. Some demand for US notes has also come from certain importers of Japanese goods which had to be paid for in US notes since they find a ready market in major Japanese cities. Several banks here have ordered the airfreighting of US notes from New York and when these parcels are offered on the market the premium should be a thing of the past.

Overseas Chinese remittances arrived here in larger amounts as is customary prior to the Dragon Boat

Festival (June 1), an important holiday and settlement day. Beneficiaries had something to be thankful for as they received about HK\$6 per US\$ while only a few weeks ago they did not hope for more than \$5 to 5.20. For these people the Hongkong Government ill-advised gold ban, coupled with other factors which undermined confidence in the HK\$, turned out to be a windfall.

The volume of business last week was record breaking; especially drafts were heavily traded, part of which came from Chinese refugees in Hongkong who previously had their funds transferred to New York and now issue private cheques for covering their requirements in the Colony.

Transferable Sterling Deals

Traffic in transferable sterling at cut rates has dwindled because there are more British exports on which to spend the sterling, many holders of sterling balances have already liquidated, the Bank of England has tightened controls and various primary producing countries have tried to prevent other countries from syphoning away, by cut-rate sterling deals, dollars which would ordinarily accrue to them. The slight rise since earlier this year in the rate for such sterling reflects lessened supply rather than broader demand. In the transferable group, British, Italian, Dutch and Chilean account sterling is currently quoted at US\$3.20 to \$3.30.

There is no longer a market for Palestine transferable sterling. The last rate mentioned from London was US\$3.15 to \$3.20. In the bilateral group, Swiss is \$4 to par, Argentine \$3.75 to \$3.80, and French \$3.24 to \$3.27. There is no market in Belgian or Brazilian sterling. The last rate on Brazilian ranges from \$3.40 to \$3.70.

This market in cut-rate sterling is entirely separate from the regular market in American account sterling, but the latter's firmness at or near the official parity has contributed to the lessened willingness of holders of sterling balances to sell them at cut rates.

Sterling convertibility is far from a dead issue. Cripps mentioned it in his Budget speech. Holders of sterling are confident that if Britain withholds free convertibility the US will use "persuasive" powers as Washington thinks the time is not far off to reconsider the question.

Official Exchange Market

On the official exchange market no changes in rates occur with the exception of rare alterations in London which are adopted here. Current official banks' selling rates for drafts are: on London 1/2—27/32, same on New Zealand, on Australian 1/6—3/8; Singapore 52-5/8; India 82-3/8; Canada and U.S.A. 24-7/8; Manila 50; Batavia 66; France 6775; Saigon 400; Zurich 107. The official London-New York cross-rates are 4.02¼—4.03¼.

An official DD rate on Bangkok was quoted to March 19, at 365 baht per HK\$100, but since that day has been discontinued.

Rates on Paris moved from 5340 francs per HK\$100 on Oct. 18, 1948, to 6560 frs. and last April 28, to 6775. Rates on Saigon moved from 310 pias-

	Monthly Average 1938	Year 1947	Year 1948
Dry vegetables	358	4,094	8,955
Maize in grain	45.663	5,080	46,784
Rice, cargo	5.774	2,528	5,496
" white	56.066	44,304	143,777
" broken	14.595	19,548	47,322
" flour	8.261	23,260	36,201
Pepper	460	1,691	1,402
Tea	164	115	285
Rubber	4.835	51,707	42,066
Kapok	316	1,630	2,445
Cement	12.125	6,172	24,912
Coal	131.733	39,249	68,973

Value of Principal Products

	150	16,913	15,188
Raw hides	591	17,432	11,097
Fish, dry, salt, sckoe	9	7,355	6,950
Fish oil	64	18,909	48,617
Dry vegetables	4,190	5,297	74,051
Maize in grain	548	2,292	6,597
Rice, cargo	5,945	51,760	335,538
" white	1,293	21,883	84,134
" broken	430	17,316	25,364
" flour	143	28,734	33,345
Pepper	180	2,169	6,710
Tea	5,173	185,794	309,081
Rubber	183	6,324	18,322
Kapok	214	3,373	12,675
Cement	1,025	7,305	18,758
Coal			

HONGKONG OPEN MARKET RATES per US\$100

May	Notes		Drafts		T. T.	
	High	Low	High	Low	High	Low
2	6.27	6.10	5.92	5.82	5.95	5.88
3	6.21	6.11	5.91½	5.82	5.96	5.87
4	6.22	6.14	5.91	5.87	5.94	5.89
5	6.20	6.14	5.97	5.92	6.00	5.95
6	6.23	6.15	6.03	5.95	6.05	5.99
7	6.19	6.17	6.03¼	5.99½	6.06	6.03

tres on October 22, 1948, to 381 piastres, and on December 14, to 386 piastres and now on May 3, to 400 piastres per HK\$100.

Within the narrow spread of buying and selling rates, which are fixed, some inter-bank business is done by exchange brokers and commercial banks quote usually a slightly more favourable rate to merchants than are stipulated; the finer rate for sterling is usually 1/32nd.

Unofficial Exchange Markets

Bank of England notes sold from \$16.10 to 16.50 against a banks' buying rate for drafts of \$15.90. Notes brought 3-4% higher return in Hongkong than drafts issued in London, a consequence of the high local TT New York price and the favourable quotation for pound notes in New York (US\$ 3.16 to 3.20). The equivalent price per pound note in New York was HK\$19 to 19½.

Australian pound notes quoted, above the official TT Sydney rate, from \$13.20 to 13.70. One pound notes of New Zealand jumped up from \$13.70 to 15; as New Zealand quotes at par with London the rate appears still too low. South African pound notes quoted from \$15.30 to 16.

The Canadian dollar firmed up as a result of the high US\$ note price but still remained 16 to 20% below the US note price while it should only be trailing the US\$ by about 8%. Canadian dollar drafts were traded at \$4.34 to 4.65, or 10 to 17% above the official rate.

Malayan dollars were neglected at \$1.80 to 1.82½. Indian rupees dropped as a result of heavier arrivals of notes from Pakistan and India. Highest & lowest rupee rate last week \$1.16--1.08½ against an official banks' selling rate of \$121.30.

Burmese rupees quoted from \$0.68 to 0.70, and Ceylon rupees from \$100 to 101 with drafts on Colombo some 10 to 15% higher.

Philippine peso notes followed the upward move of the US\$, quoting from \$2.80 to 3.10, remaining some 3 to 5% behind the New York/Manila parity.

Nica guilders were much in demand when the news about the peaceful settlement of the dispute with the Indonesian Republic was announced by the Dutch in Batavia. But caution is still much in evidence here as one has been disappointed in the past every time when the two opponents in the Indonesian archipelago stated that a compromise had been reached. Highest & lowest rates were \$35 and 32.80 per 100 guilders.

Piastre business dropped off but there were still large transactions carried on particularly on the foward market

(which is usually dealing in fictitious contracts). Rates were from \$10.92½ to 11.45 per 100 piastres.

The rate for TT Bangkok and for baht notes improved during last week, notes moving up from \$24.20 to 24.90 per 100 baht or tical. In Bangkok, TT rates on New York, London and Hongkong were at the end of April 23.25 baht, 65.80 baht and 4.13 baht respectively while at the end of last week they were 21.60 baht, 62.80 baht and 3.95 baht. The Siamese exchange improved vis-a-vis all foreign currencies. The sterling/US\$ cross rate moved around US\$2.90/2.93.

Hongkong notes in Macao suffered further depreciation when only 72 patacas were paid for HK\$100. The local rate, per 100 patacas, went up from \$127 to 135 at the close of the week.

Silver Market

With their military might displayed to the disgust of the citizens, the High Command of Shanghai ordered the value of Chinese Silver Dollars to be fixed at 4 million "Gold" yuan. This was to suppress the value of the Silver coins at least for a short time. The Central Bank of China put into circulation new amounts of these coins. In the Communist areas south of the Yangtze, the price of the silver coins was dropping heavily to about two coins per US\$1 thus encouraging the flow of these coins to Shanghai. The reason of lower silver coin prices in the Communist region is the result of growing faith in the People's Bank notes there. Silver dollar coins were dropping in value in Canton in terms of Hongkong currency to the extent of about 25 per cent.

Silver prices here were dropping also, with Bar Silver highest and lowest at \$4.80--4.40 per tael. Hongkong Dollar coins at \$4.20--3.00 per coin, Chinese Dollar coins at \$8.50--7.00 per coin, and Twenty-cents coins at 4.40--4.00 per five coins.

Tradings in Hongkong were small, estimated at 10,000 taels, mostly in coins. It was reported that about 5,000 taels were exported to China in silver bars, and small amounts of coins were exported. The stock of these coins here was practically nil.

Counterfeit Chinese Dollar coins were seen here, the contents of silver in these coins was higher than in the real ones, and it was reported that in China these coins were also accepted. This caused the value of the Hongkong silver dollar coins to advance. It was hoped that the H.K.

coin may be also accepted in circulation very soon. The Mexican coins were already used since a few weeks.

The official price of silver in the London market remained unchanged at 43½d. per ounce .999 fine for both cash and two months' delivery. Purchases of silver for use in essential industries continued on a small scale, with supplies provided mainly from official stocks, although some silver from internal sources also became available for essential purposes.

There has been no movement in the New York quotation which, therefore, has ruled unaltered at 71½ cents per ounce.

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There was strong inquiry for platinum with the London stamped metal greatly preferred to the Japanese plates in spite of the higher price as buyers realise that the extraction of the iridium content, while not impairing its utility for ornamental purposes, greatly reduces platinum's trading value.

Diamonds registered better business at firmer prices.

Ornamental gold jewelry met with continued brisk demand. Industrial gold which is legally permitted to sell was per tael from \$353½ to 374 of 0.900 fineness (corresponding to 24 carat \$388¼ to 411½, or US\$54½--55½ per troy oz). Rings and bangles, mostly of "Chinese gold" (i.e. 0.99 fine), made by many local goldsmiths found a large number of local and outport customers. The public complains about the high cost of jewelry; since Easter the cost of wedding rings has gone up by 30%.

Chinese Currency Markets

Yuan notes were traded here by only a few native banks and exchange shops. The price dropped from \$1.25 to \$0.15 per 100,000 yuan. Remittance rates on places in China are no longer quoted in Chinese money but in silver, other metal, US\$ and HK\$.

In Canton there has been general acceptance of the silver dollar as the legal tender with the Canton authorities demanding tax and other payments in coins or HK\$. The refugee National Govt. has protested against this procedure but the fact is that the "gold" yuan has been withdrawn, to all intents and purposes, from circulation in Kwangtung. The Canton Govt. accepts in lieu of silver coins also HK\$ (for tax payments) granting a preferential rate of HK\$ 5 per one silver dollar while on the open market rates last week were 40% higher. US notes are less popular but their price has increased, in terms of HK\$, as a result of lack of confidence in Hongkong on the part of many Cantonese; one US\$ cost HK\$ 6.25 to 6.40 last week.

Beleaguered Shanghai is in complete economic confusion; a regular financial market has ceased to operate some time ago. Silver dollars are the general medium of payment and were quoted from US\$ 1.24 to 1.64 (last week),

showing at the beginning of this week further weakness against US\$. Business in commodities in Shanghai is based on silver, gold and US\$. Cloth and yarn, Shanghai's principal industrial products, quote in terms of ozs of gold, pieces of silver dollars and to a lesser extent also US notes, especially when cargo is to be exported. Salaries and wages are now mostly paid in commodities which the recipients have to barter, all over the city, against those foodstuffs and goods which they themselves require. There being no longer any local currency and silver coins remaining in very short supply, the only way to keep alive is to exchange one's own output (foodstuffs, manufactures) and services for the desired type of goods and labour. Such conditions cannot be regarded as conducive to progress of civilisation.

The local market found the present methods of effecting remittances from and to China as complicated. As for Shanghai, remittances were made in terms of US\$, when 106 to 110 had to be paid here for payment in Shanghai of 100; or in metal, when 104 to 106 had to be paid here for payment in Shanghai of 100. Merchants in Shanghai were anxious to procure US\$ or valuable metals in order to pay Chinese holders of commodities who were accepting very low prices for their cargo being afraid of the near future. Time was also getting short for shipping merchandise out of Shanghai.

Local remittance business with Canton remained mainly in HK\$ which were enjoying some renewed favour in Canton. Thus the remittance rate changed around, with 100.2 to 100.3 paid here for 100 to be received in Canton. This trend should further improve in favour of Hongkong with the disappearance of doubts about the stability of HK\$. Remittances to Swatow were made at par in HK\$. Remittances to Amoy were in US\$, the quotation being 102-103 here against 100 in Amoy.

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Hongkong Clearing House

During April a total amount of \$829,170,394 was passed through the Hongkong Bankers' Clearing-house, being a decline of 6.97% against March, the record month in the Colony's history. Against April 1948 the current clearing total amounts to an increase of 10.06%. For the first four months of this year the clearing total amounted to an increase of 15.79% over the corresponding period of 1948.

Trade has continued buoyant which was largely responsible for the very large clearing total of April. Real estate transactions have also been heavier than for many months past, a consequence of the arrival of many new Chinese immigrants and the revived interest in land and house investments although considerably below 1948 peak prices. The stock market however continues in the doldrums. Dealings in precious metals were, on

the other hand, very large and have contributed to the imposing clearing-house figure of over \$829 million.

Amounts passed through the clearing—

	1948	1949
January	690,869,863	822,578,268
February	624,267,531	755,368,765
March	780,180,420	891,308,578
April	753,367,765	829,170,394

first four months	2,848,685,579	3,298,426,005
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Hongkong Currency Note Issue

At the end of March 1949, the currency note circulation of Hongkong's three note-issuing banks was \$863,221,423 to which figure must be added the \$1 subsidiary note and coin circulation of Hongkong Government which is estimated at over \$20 million, thus bringing the total circulation of HK\$ and subsidiary notes and coins to \$883 million. Compared with February, the March figure amounts to a 3% increase. Against the circulation as at the end of 1948 and 1947 respectively the increases in March amount to 12% and 28%. (End 1947 and 1948 circulation figures were \$675 million and \$783 million respectively). The increase in March over February amounted to \$21½ million.

Of the March total the Hongkong & Shanghai Corp. issue was \$796,376,790, the Chartered Bank issue was \$63,065,618 and the Mercantile Bank of India issue was \$3,779,015. But for the Mercantile Bank, these figures established all-time records. For all notes issued by the three Banks full sterling cover is being deposited at the rate of 1s. 3d. per one HK\$.

The increase in the note circulation here during recent months has been mostly caused by the financial collapse in China; an increasing amount of the local currency is held in Kwangtung where the HK\$ has become the principal medium of exchange, accepted by everyone and even demanded by the Canton authorities for the payment of taxes.

As to the \$1 and subsidiary note and coin issue of Government here no official statement has been made so far. The Currency Funds of Government as at the end of last year amounted to \$12,718,960 as \$1 note security fund, \$4,586,669 as subsidiary note security fund and \$1,969,123 as nickel coinage security fund. In its latest annual report Government stated that it issues notes of \$1, ten cent, five cent and one cent denominations. Before the war there were in circulation nickel 10 cent and 5 cent coins and copper 1 cent coins but these all disappeared from circulation after the outbreak of the war. It is of interest that over 70 tons of these coins, many of them badly damaged by fire, have recently been

recovered from Japan. It is not proposed to re-issue these old coins, but new 10 cent and 5 cent pieces in nickel brass have been ordered from the Royal Mint and 10 cent coins have now come into general circulation. A large proportion of these coins has been shipped to Canton and other places in Kwangtung.

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Gold in the Commonwealth

The price per fine oz troy in London, as quoted by the Bank of England, is 172s. 3d. The price in New York (US\$ 35 per oz) at exchange of US\$4.03 is 173s. 8.367d. The average price in April for a tola of gold on the Bombay market was Rupees 113.14.0 or 455s. 6d. per fine oz. The April average price per dirhem on the market of Alexandria was Piastres 153 or 312s. 10d. per fine oz.

There is no official price in Hongkong but from Court reports one gathers that an official price of HK\$140 per oz is given when it comes to valuation of confiscated gold. The I.M.F. par values (of Dec. 18, 1946) fix the HK\$ at 0.268601 grams of fine gold or HK\$ 138.958 per one troy oz. Jewellery in local goldsmith shops cost last week about 420s. per oz, or 144% above the London price.

Gold production in the Commonwealth remains high and by far the leading one in the world. The Transvaal gold output for March, 1949, amounted to 985,316 fine ounces as compared with 884,073 fine ounces for February, 1949, and 980,349 fine ounces for March, 1948. Mr. Havenga, South Africa's Finance Minister, when introducing the Budget on March 16, stated: "The real problem for our gold mines is still the monetary price of gold." He expressed the belief that the process of preparation which must precede the change in the price of gold is already taking place. "I do not, however, want to underestimate the forces which must be employed before such a change can take place."

Gold produced in the Commonwealth of Australia in 1948 was about 5 per cent. less than in 1947. Output was 888,429 oz. fine, valued at £9,561,717, a decrease of 49,225 oz. compared with 1947, and 757,268 oz. less than in 1939. Western Australia produced 664,986 oz. or 72 per cent. of the total. Exports of gold bullion totalled 355,933 oz. worth £3,830,908. All but 197 oz. went to the United Kingdom.

Miners in New Guinea produce increasing quantities of gold, usually of 78 to 90 percent fineness. This alluvial gold contains small quantities of silver as well. The native miners (Kanakas) obtain after the war better remuneration for their efforts. All gold is to be sold to the Commonwealth Bank of Australia which pays at the rate of Australian pounds 10.15.0 per fine oz. Some production is however sold to merchants in Sydney who sell it to Singapore and India at a high premium over the C.B.A. price. The Australian Govt. holds that the advance in the price of gold is necessary and will bring benefits to the economy of the whole Commonwealth not only to Australia.

Foreign Exchange Regulations in North China

In our issue of April 20, p. 498, a summary of the foreign exchange regulations promulgated by the People's Bank of China has been published. The complete text of these regulations is now published.

* * * *

The term of "foreign exchange" includes all monies in form of foreign currencies in and outside of China and the following documents payable in foreign currencies, viz: telegraphic transfers, demand drafts, drafts payable at sight, drafts due on a certain date after sight, cheques, travellers' cheques, usual bank orders due for payment not later than six months after the date of issue and all bank and commercial drafts of exchange.

The People's Bank of China appoints the Bank of China to enforce the regulations for the control of foreign exchange.

The People's Bank appoints private exchange banks of good standing as agents of the Bank of China to deal in foreign exchange for the Bank of China. These banks are called the appointed banks. Their business is the transaction in foreign exchange for account of their clients.

The Bank of China is the legal foreign exchange market, and the appointed banks are the members of this market. Daily quotations are issued by the Bank of China based on market positions and on approval by the People's Bank. The members may on this basis act as brokers or transact on behalf of their clients and are entitled to receive a certain commission. Outside market dealings are prohibited.

The money in foreign currencies derived from the proceeds of sale of export goods, with the exception of those amounts which are used for payment of import goods in accordance with the regulations for the control of trade, are under all circumstances to pass the formality of foreign exchange surrender.

The following foreign exchange must be turned over to the Bank of China as foreign exchange deposits. A bill of foreign exchange deposit to be issued to the depositor:—(a) All monies in foreign currencies derived from the proceeds of sale of exports goods. (b) All foreign exchange from receipts by shipping, insurance and other companies. (c) All remittances of overseas Chinese residents and other remittances from outside China. (d) All monies in foreign currencies held by Chinese and foreign residents. (e) All foreign currencies are to be deposited with the Bank of China.

The duration of the bill of deposit of foreign exchange expires in 40 days after the date of issue. Within the aforesaid period of time the holder of

the bill may trade this bill on the official market according to official quotation freely, but the Bank of China may have the preference right of purchase at the official rate. On expiration of the bill the Bank of China may purchase the bill at the official rate of the day. The Bank of China may purchase the bills not yet due at the official rate for the purpose of equilibration of the exchange market.

If an intended business involving foreign exchange is cancelled as a whole or a part thereof the purchaser of the respective foreign exchange is to return the whole or a part of the purchase to the Bank of China at the original rate.

No person, with the exception as stated below, is entitled to purchase bills of deposit of foreign exchange. The exceptions are:—(a) For the purpose of import and simultaneously holding an import licence issued by the competent Bureau for Control of Foreign Trade. (b) Holding a permit and the purchase of foreign exchange has already been approved by the Bank of China for the use of payment of freight for export goods, commissions and insurance premiums in advance. (c) Holding a permit and the purchase of foreign exchange has already been approved by the Bank of China for the use to defray living expenses of relatives or members of staff of corporations abroad. (d) For other uses and the purchase of foreign exchange has been approved by the North China People's Government.

The Bank of China may at any time check the accounts of the appointed banks in connection with dealings in foreign exchange and fix the rate of commission the appointed banks may receive for these dealings.

The appointed banks are not entitled, on their own or on their clients' account, to purchase or sell foreign exchange nor to execute business which may result in capital flight, hedging or other speculation. On payment of the foreign exchange the appointed banks are liable to examine that this payment has been made for legal purposes.

The appointed banks are not entitled to deal in foreign exchange and foreign securities and stocks and to engage in other lines of business which are not approved by the Bank of China. For any action in contradiction to the regulations and to the notices given by the People's Bank, the Bank may cancel the license and confiscate the foreign exchange in possession of the appointed banks.

Except for the People's Bank and the appointed banks no person is entitled to deal in, nor to possess, nor to transfer foreign exchange. Offenders are liable to a money penalty and the foreign exchange in possession is subject to confiscation.

For persons entering North China on official mission and travellers on a brief stay, and holding a permit, the

foreign currencies and/or other documents in possession must be turned over to the exchange in People's Bank notes or deposited in original currencies. The depositor may make use of any part of his deposit and receive the equivalent in People's Bank notes and, on departure, the balance, if any, in original currencies.

Persons holding a travelling permit and in need of foreign currencies to defray travelling expenses may apply to the Bank of China and obtain the foreign currency at the official rate.

* * * *

A North China trader comments on the exchange regulations now in force in North China as follows:—

In connection with export and import between North China and overseas markets one can draw the conclusion from the wording of the exchange regulations that North China is prepared to pay her imports with the available exports. Since an ample space of time of 40 days has been provided the North China merchants should be in a position to manipulate to pay for the imports with the proceeds of sale of the exports. Similar is the case with the overseas merchants. In other words the import and export trade in North China is practically free to the extent of the quantity of export goods being available in that area.

The official rate of exchange between the People's Bank notes and the foreign currencies is subject to daily quotation by the Bank of China based on market positions, that means the official quotation is elastic and close to the actual valuation on the free market for the respective currencies.

The licensing of imports will have the same meaning and effect as the "Quota System", and must remain in force as long as the balance of trade remains unfavourable for North China.

Following the provisions of the exchange regulations it has now been made possible for the prospective purchasers of North China produce in Hongkong or other foreign markets to buy the goods through the usual banking channels without the trouble of consigning goods to North China in payment of export therefrom.

Generally speaking, the exchange regulations have been drafted in a much more business-like manner than the numerous regulations and orders issued by the Nationalist Government in Nanking. The business men in Hongkong are feeling relief and rising hopes for the immediate future; they await the issue of new orders supplementing the exchange regulations being confident as to development of trade connections with North China under the new regime.

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In our issue of April 27, pp. 518/19, regulations with regard to exchange transactions and the business of commercial banks were published.

Hongkong Share Market

The Stock Exchange Committee reported for last week that the amount of business written has been the heaviest recorded for this year. The number of shares that has been liquidated on account of outport orders has been well absorbed and it is a matter for surprise that this has been accomplished without bringing prices down. Indeed prices have remained remarkably steady and in a few instances some advancement is shown. There is a buying element here that is satisfied most stocks are too low or that investments at present levels are going to yield attractive returns.

Not much can be added to these words. There is still very little confidence displayed in the soundness of investment, of any kind, in Hongkong under present conditions. Brokers being anxious to do some business have failed to convince the more resourceful clients to lay in new shares although a few buyers, largely Chinese, are regularly absorbing selected industrials and utilities.

The summer is usually a period of slackness and unsteady prices; in mid-autumn the upward trend becomes noticeable and around the year-end there is, usually, a marked improvement in anticipation of the bountiful dividend time. This year, however, the price level is so completely disturbed that one can forecast, provided that the present sentiment changes for the better and reassuring news are properly evaluated, an upward tendency during the next few months. As many industrials now yield from 12 to 15% a general share price appreciation is probable bringing the level back to 8-10%. Such movement would entail market price increases from 30 to 60%.

But the all-deciding question remains the progress of developments in China and their intelligent appraisal in the Colony. So scared have become a good number of local investors that the consolidation of the Chinese Communists in their country—which is now obvious to everybody—causes them to liquidate local properties and convert them into overseas assets. A change of heart is necessary here and more sober reasoning; then the appreciation of investments in local public companies should not be long delayed.

Holders of local shares in the U.K. and some other countries have been accused of instigating, time and again, a panic on the local share market. That is not a logical contention; it is up to the people on the spot to understand the true aspects of the "China situation" and to impart their findings to their friends abroad. That overseas investors, little conversant with actual conditions in Hongkong and China, are prone to fall for the sensationalism and "Red Bogy" scares of usually uninformed or opinionated travelling journalists should not surprise. The press these days is fostering rather than calming national and class strife and, for the

sake of higher circulation figures, stoops often to intentional misrepresentations of the situation in a country or it chooses to interpret developments in a biased way. A person resident in London and holding Hongkong shares may feel that Hongkong is no longer "safe"—having gained this impression from pessimistic newspaper reports and from equally badly digested information emanating from certain MPs—and that therefore it was, though painful, the most reasonable decision to liquidate, taking a partial loss now in preference to an imagined total loss in the future "when the reds have started trouble".

Those who kept their sound judgment and refused to be scared by the red bogey have added at extremely low prices to their portfolios and they wait confidently for the future. The "rabbits" have also been made "suckers" as will be confirmed when the quotations, within a short while, will recover. Incidentally, the reported low prices in London were usually fictitious; there were one or two sellers who were in a hurry to give away even gilt-edged stocks but when buying interest showed up there was nothing on offer — the low price however remained chalked up thus deceiving the usual type of clients but not the insiders.

Volume of Business:—Total sales reported amounted to 169141 shares of an approximate value of \$3¼ million, an increase of \$1¼ million compared with the preceding week.

Price Index:—The Felix Ellis averages based on the closing prices of twelve active representative local stocks closed at 126.58 for a net gain of .80 compared with the close of the previous week. Day-by-day his averages were: May 3, 125.28; May 3, 126.01; May 4, 126.30; May 5, 126.22; May 6, 126.58:

	High.	Low.
1947	155.82	123.88
1948	148.68	134.04
1949	138.37	125.28

Dividends:

The Directors of China Light & Power Co., Ltd. have declared an interim dividend of 40 cts. per share for the first half of the financial year. A pro-rata amount will be paid to holders of 1949 Issue Shares.

Business Done:

Hongkong Govt. Loans: H.K. Govt. 3½% @ par plus Int.

Banks: H.K. Banks @ 1550, 1545, 1540, 1520, 1525, 1540.

Insurance: Cantons @ 330; Unions @ 675, 670, 675, 680, 670; H.K. Fires @ 230.

Shipping: Asia Nav. @ 70 cts. Docks & Godowns: H.K. & K. Wharves @ 115, 116, 115; North Point Wharves @ 5.70, 5½; H.K. Docks @ 17½, 18, 19, 19½, 20, 21, 19½, 20; China Providents @ 12.80, 12½; S'hai Docks 7; Wheelocks @ 26½, 27.

Hotels & Lands: H.K. Hotels @ 10½, 10.20, 10.10, 10.50, 11.30, 11½,

11, 11.30, 11.20; Lands @ 50, 50½, 51, 50; S'hai Lands @ 2, 2.10.

Utilities: Hongkong Tramways @ 14½, 14, 14½, 14.15, 14.40, 15, 15.40, 15.30, 15.20, 15¼, 15.10, 15.30, 15.15, 15.30, 15.40, 15½, 15.60; Star Ferries @ 110; China Lights (Old) @ 11.80, 11.70, 11.80, 11.90, 12, 12¼, 12½, 12.60, 12½, 12.60, 12½, 12.60, 12½, 12.60, 13.10, 13.15, 13.20, 13, 13.10, 13 and (New) @ 7½, 7.70, 7.80, 7.90, 8, 8½, 8.60, 8½, 8.60, 8½, 8.60, 8.70, 8.80, 9.20, 9.10, 9; H.K. Electric @ 29½, 30, 31, 31½, 32½, 32, 31½, 31, 32, 31¼, 31¼, 31½, 31¼, 31¼, 32, 33, 32½, 33, 33½, 33, 32½, 32¾, 32½; Macao Electric @ 24; Telephones @ 18, 20, 21, 21½, 21.

Industrials: Cements @ 26½, 27.

Stores: Dairy Farm @ 30, 31, 30, 30¾, 31, 31½, 31¾, 31½, 31¼, 32, 32½; Watsons @ 40, 39½, 40, 40½, 41, 40½, 41, 40½, 41½; China Emporium @ 9; Sun Co. @ 2.60, 2½; Kwong Sang Hong @ 137.

Miscellaneous: Shanghai Loans @ 2. Cottons: Ewos @ 5¼, 5½, 5.35, 5.40, 5.20.

Hongkong Aviation Report for April

Arrivals for April, 1949

Departures for April, 1949

COUNTRIES	PASSENGERS	MAIL	FREIGHT	COUNTRIES	PASSENGERS	MAIL	FREIGHT
United Kingdom via Bangkok & Ports	132	2,968	4,152	United Kingdom via Bangkok & Ports	167	3,254	2,213
Europe via Bangkok & Ports ..	12	38	5,228	Europe via Bangkok & Ports ..	59	25	356
Middle East via Bangkok & Ports	25	42	358	Middle East via Bangkok & Ports	1	—	1,623
Calcutta via Bangkok & China ..	185	70	3,049	Calcutta via Bangkok & China ..	110	194	984
Rangoon via Bangkok & China ..	58	134	275	Rangoon via Bangkok & China ..	52	5	630
Singapore	132	2,439	1,832	Singapore	197	1,548	3,293
Bangkok	234	606	252	Bangkok	333	508	12,187
French Indochina	319	181	929	French Indochina	178	167	1,029
Macau	80	—	—	Macau	67	—	11
Philippines (direct)	995	666	7,931	Philippines (direct)	1,832	394	2,753
Japan via Shanghai & Ports ..	230	861	1,298	Japan via Shanghai & Ports ..	177	28	853
U.S.A. via Manila & Ports ..	619	233	3,789	U.S.A. via Manila & Ports ..	298	1,731	7,911
Honolulu via Manila	40	62	547	Honolulu via Manila	87	62	146
Australia	—	—	—	Australia	43	234	13
Shanghai	822	580	1,090	Shanghai	1,488	2,056	8,882
Canton (direct)	5,290	2,582	7,913	Canton (direct)	6,221	2,532	58,136
China via China Ports	4,822	2,691	29,949	China via China Ports	2,721	2,059	52,016
Total	13,996	14,153	68,592	Total	14,031	14,797	153,036

Total No. of Aircraft: 979.

Total No. of Aircraft: 967.

Hongkong Commercial Markets

Trade with Manchuria

Ships from Hongkong should call at the port of Yingkow instead of Antung. The port facilities there are more or less in good condition, ships up to 3000 tons can lay alongside the wharf, discharging and loading can be expedited at the rate of about 500 tons per 24 hours. Ships of higher tonnage can conclude the voyage and return in four weeks time, viz: six days from Hongkong to Yingkow, six days for the return and at most 16 days to stay at the port of Yingkow, (for purpose of bartering merchandise).

At the present moment the following goods are available in Yingkow for barter with Hongkong: Bristles; Soya beans, oils and cakes; furs; salt; ginseng and other Chinese medicines.

The North-Eastern Overseas' Trading Company (Government) has finally adopted a new system of barter, whereby the consignor is to submit a statement of cost of the consignment C.I.F. Yingkow and a clean rate of profit of 15% to be allowed to the consignor.

Several freighters have recently left Hongkong for Antung and are due here with cargoes of beans and three assortments of bristles from Manchuria.

Exports to the U.S. from Hongkong

Cumulative declared exports of textiles and products to the United States from Hongkong, in the year 1948 were as follows as per U.S. Consular Invoices:—

Commodity	Quantity (in lbs.)
Organdie doilies	111
Cotton laces	22,807
Cotton embroideries	194,171
Gunny bags	46,777
Linen fabrics	487
Hemp fabrics	11,874
Ramie fabrics	11,855
Linen embroideries	329,514
Linen laces	209
Rugs	13,144
Sisal	520
Kapok	122,556
Coir yarn	7,299
Straw ware	1,175,237
Cashmere wool	41,176
Wool laces	9
Wool embroideries	2,365
Oriental carpets	32,178
Human hair	205,586
Nets and nettings	5,764
Horse-tail hair	1,333
Goat hair	667
Yak hair	2,050
Silk waste	275,829
Silk fabrics	21,776
Silk laces	672
Silk embroideries	4,374
Satin embroideries	4,769

Cumulative declared exports of hides and skins to the United States from Hongkong for the year 1948 were as follows (in pounds): Buffalo hides, 370,133; goatskins, 274,361; deerskins, 199,410; reptile skins, 650; hareskins, 30,074; and cattle-hide trimmings, 363,489.

In the same year, 1,319 pounds of slippers, 7,241 pounds of leatherware, and 750,400 pounds of gallnuts were exported also

Cumulative declared exports of feathers and furs to the United States from Hongkong in 1948 were as follows (in pounds): Feathers, 3,979,994; undressed rabbit fur, 42,504; undressed kolinski, 23,910; and weasel, 2,143.

HONGKONG COMMODITY MARKETS.

Piece Goods

The critical condition in China continued to affect the market, but contrary to last week's trend, prices of piece goods fell somewhat. Large stocks in Canton and heavy shipments despatched from thence to Hongkong, coupled with reduced exports to other countries, accounted in part for the fall, and unfavourable rates of HK\$ exchange also added to the difficulties encountered. Buyers were out of the market for a time, and the decline would have been greater, except that buyers from Siam were in the market for a few thousand pieces, which, however, was not sufficient to influence the situation very greatly. Manila buyers were requiring white, red and purple cloth. Grey sheets found an active market; black cloth rose slightly with steady sales, but these could not affect the main trend. The import quota of \$2 million fixed by South Africa for importations of piece goods from Hongkong led to the hope of increased orders coming soon. Interest was created by the arrival of the first shipment of grey sheetings from Tientsin, about 10,000 pieces, consisting of elephant head and Por Po brands. At the end of the week, some activity was shown, sales of over 10,000 pieces of grey sheetings and 4,000 pieces of white cloth being effected.

Tsin Leung Yuk white cloth, which last week had risen to over \$44 per

piece, fell to \$43.20 and later to \$43 per piece for 4,000 pieces; mammoth bird fell from \$45 to 44.50 for 1,000 pieces; Kam Mok Lan white cloth dropped to \$41.50 from \$42; elephant head grey sheeting (12 lbs.) fell from \$41.30 to \$41 for 500 pieces; dragon head grey sheeting, which has been \$44.50, fetched \$43.50 per piece for a quantity of 1,000 pieces.

Artificial Silk.

Japanese artificial silk and rayon piece goods fell with the arrival of large shipments: No. 120 dropped from \$13 to \$12.40 a yard and to \$12.10 for a quantity of 30,000 yards forward delivery. Increasing shipments of artificial silk yarn from Great Britain and Italy filled the requirements of local mills for the execution of orders from Africa and Malaya.

Cotton Yarn.

In spite of forebodings to the contrary, supplies of yarn continued to arrive from Shanghai in a steady stream as well as from Canton. A feeling of optimism was also created by the news that an exchange rate of 330 yen and also 420 yen to the US dollar had been adopted in Japan for textile exports, while imports were to be handled at the rate of 330 yen; categories under the two export rates were yet to be decided, but it was considered that about 90 per cent would come under the 330 yen rate. Competition from Japan should be reduced by the fixing of exchange rates, as prices of piece goods made in Japan had already gone up by about 30%; this should help the local mills in gaining markets. Large shipments were received from Great Britain, which included not only cotton yarn, but also fibre yarns in considerable quantities. American and Egyptian yarns also arrived, but in small amounts, as local mills were not indenting for these. Prices in Canton having risen, the local market followed suit, the rise being from \$20 to \$30 per bale, but with Siam as

practically the only market, sales were difficult to effect. Import licenses for yarns into Indochina were hard to obtain, as mills in that country were being encouraged to import yarns from France. Also, India was cutting down on supplies from Hongkong, as other countries were shipping direct to that market.

Angel brand 20's from Shanghai were offered at \$1270 per bale, but Siamese buyers counter-offered \$1225, and no sale resulted; later in the week the price rose to \$1320 per bale, the price in Canton being \$1310. Blue Phoenix 20's rose in the same way from \$1345 to \$1350 per bale.

Raw Cotton.

With unfavourable exchange and the lack of US dollars for purchasing, coupled with an excellent harvest, the price of US raw cotton had fallen by about 8%, the New York price being 29 US cents c.i.f. for cotton suitable for 20 counts and 35 to 36 cents for 32's. Notwithstanding the fall in price, however, the high unofficial rate of exchange for TT New York made it unprofitable for local mills. A shipment of over US\$1 million of cotton was shortly expected; this had been booked when supplies from India failed. An old stock of Indian cotton 4F, of about 300 bales, was sold at \$1.80 per lb.

Gunny Bags.

The small quota of gunny bags allocated to Hongkong from India, together with the urgent requirements of South Africa, sent up the price on the local market, though later a reaction set in. New heavy 29x43x2½ lbs 2" green stripe, started at \$3.10 and rose to \$3.20 each; old bags (1st quality), on the other hand, fell from \$2.30 to \$2.25 each. Flour bags dropped to \$1.05 each, a fall of 15 cents.

Metals.

The metal market was dull, being affected by the uncertain conditions in China. Belgian mild steel plates (thin) were increased in price as a consequence of high unofficial ex-

change rates, though sellers claimed they were sustaining a loss as a result of the low prices charged: 1/32" fell to \$58 per picul, 1/16" fetched \$53, 3/32" sold at \$51, ½" at \$52. Mild steel bars, angle, round, flat and square showed a downward tendency, with stocks amounting to 20,000 tons: flat bars ¼" and ⅜" fetched over \$44 per picul; round bars 40 ft ¼" were offered at \$40, ⅜" at \$39, ½" to 1¼" sold at \$34 (highest) and \$32 (lowest), the indent value was £35 per ton c.i.f., which worked out at a loss of from \$3 to \$4 per picul, ½" sold at \$43, ⅝" to ⅞" at \$39 and 1" at \$40; angle bars were inactive. Mild steel round bars in bundles fell in price: G2 3/16" dropped to \$37 per picul, G1 ¼" to G2 3/16" fell to \$35. Galvanized mild steel sheets (thick) meeting with considerable demands at the opening of the market rose in price, but fell later: G24 2½ ft fell from 66 cents per lb to 54 cents, 3x7ft fell from 70 to 64 cents, G26 2½ft went from 80 to 73 cents, while 3x7ft dropped from 85 to 78 cents, G28 2½ft fell from 95 to 82 cents and 3x7ft from 98 to 88 cents. Zinc sheets also fell in spite of an active market: G5 which had been \$132 per picul fetched \$128, G6 from \$124 fell to \$118, G7 & G8 dropped from \$124 to \$123. Galvanized pipes, being required for local construction works, found an active market and large sales were effected: ½" & ¾" were most in demand, the former selling at \$1 and the latter at \$1.10 per foot, 1" fell to \$1.25, 1½" stood at \$1.70 and 2" was offered at \$2; large sizes were dull, 2" stood at \$7.50, 4" at \$9.50 and 5" at \$10 per foot. Wire nails rose as a result of shortage of stock, buyers from different countries being in the market: Belgium 1½" to 3" (excluding 1½") in drums were offered at \$49 per picul a rise of \$1, Czechoslovakian wire nails fetched \$47, a rise of \$2 per picul, and \$46 for 2" to 4" ex-godown; Polish wire nails stood at \$46, and the local make at \$48 with little stock. Netherlands

and German wire nails 1" to 3" were indented at \$50 c.i.f., a rise of from 10% to 20%, but competition from Japanese wire nails was felt.

Copper ingots and tin waste were asked for by Tientsin buyers as well as by local manufacturers: copper ingots 99.95% rose to \$190 per picul, tin waste 10"×10" upwards started at \$93 per case and rose to \$94, inferior quality with export permit improved to \$90 per case, 3" up rose to \$70 and 6" to \$76; British tin waste 200 lbs was unsteady, case packing varied between \$107 and \$108 highest and \$103, \$104 and \$105 lowest price, ex-godown fetched \$104 per case. British tinplates found a dull market. 200 lb cases were offered at \$103, ex-godown at \$102 per case. Pure lead was offered at \$132 per picul. Australian and Canadian standard lead sold at \$142; lead bar compound, without the immediate possibility of export, fell to \$90 per picul.

Glass.

The glass market kept steady, in spite of keen competition from all sides; Belgian 200 sq ft 18 oz sold at \$63 per case, French fetched \$62, Swiss \$61 odd, and Japanese \$68. Japanese 100 sq ft 16 oz sold for \$23, and 18 oz at \$31, this being the favourite in spite of competition from other makes.

Cement

Japanese cement continued to pour into the market; Formosan cement was out of stock; Indochina red and black dragon brands met with an unfavourable market as the result of high prices, 1 cwt packing selling at \$5.65 while 94 lbs. was offered at \$5.20 per bag. Formosan cement stood at \$5.30. Green Island locally produced cement in 1 cwt bags was offered at the regular price of \$7.30 and emeralcrete rapid hardening 112 lbs at the official price of \$8.30 per bag. British white cement "snowcrete" 375 lbs nett was at the usual price of \$55 per drum. Danish Butes brand white cement fell to \$15 per 1 cwt bag British "snowcem" cement paint 112 lbs. nett steel drums ex-godown was \$58 per drum.

Beans and Bean Cakes.

Large shipments of beans and bean cakes arrived from North China, bean cakes alone amounting to 10,000 tons, the bulk of it being taken by Japan for agricultural purposes. Selling prices ranged from \$17 to \$18 per picul. Enquiries also came from Denmark, but the price offered of \$17 to \$18 c.i.f. Copenhagen was unworkable. Tientsin beans, owing to lower stocks rose, red beans selling at \$80 per picul for a quantity of 450 bags. Soya beans sold at \$44, the Shantung quality fetched \$36 but only a small quantity was available.

Ores.

As a contrast to the other commodities, the ore market remained dull, no orders having yet been received from the US. Sellers were anxious to dispose of their stocks, but buyers hesitated to buy. Large stocks of tin ingots were in the hands of dealers: Singapore 99.75% fell to \$460 per picul and was later offered at \$460 but without sales; Yunnan standard product, with export permit, fell from \$450 to \$445 at which price sales were effected; Kwangsi Pat Po 97% was offered at \$455; China tin for soldering fell by \$5 per picul.

Tea.

The market for Formosan tea was very dull, as prices were too high at the supplying sources. In addition, direct shipments were being made from Formosa to other countries, via Swatow, thereby affecting local exports. Siam is the chief user of Formosan tea, but Fukien products might also compete in this field if prices could be adjusted. The supplying price of Formosan tea was quoted at over gold yuan 2 million per picul or HK\$100; for Fukien tea the quoted price was 1 tael and 8 mace of gold per picul, or HK\$800, whereas the Hongkong selling price was \$400, which would mean a loss of 50%.

Chemicals.

The high rate of exchange for US dollars with lower stocks affected chemicals in common with other commodities, and the prices of various products rose. Sales were however

limited by weak purchasing power in China. US caustic soda 700 lb drums sold at \$160 per drum with demands from Tientsin, the indented value being \$150, rising later to \$168, but falling again to \$163, a total of 160 drums being sold. A shipment of 6000 drums was awaited, the indented value of which was \$140 c.i.f. Hongkong; at a selling price of \$162 the consignment would show a profit. Caustic soda crescent brand fell to \$210 per drum. From 70,000 to 80,000 bags of sulphate of ammonia was expected to arrive this month, including 10,000 bags of golden coin (Belgian) of which forward delivery was booked at \$54.50 per bag. Italian sulphate of ammonia was offered at \$32 for 500 bags; elephant brand, with a quantity of 50,000 bags (2,000 tons) was offered at \$34.50 per bag. Seasonal requirements would be practically filled with these arrivals. Glacial acetic acid in 45 lb carboys. USA, sold at \$1.01 a pound for 100 carboys. Chloride of ammonia 1.5 cwt bags, I.C.I., sold at \$580 per long ton for 5 tons and \$600 for 2 tons. Calcium carbonate precipitate in 60 kg bags from Japan sold at \$265 per long ton for 5 tons and heavy sold for \$190 for 5 tons. Chlorate of Potash was in demand from buyers from Tientsin, Canton and Macao, and the Finnish product fetched from 62 cents to 63 cents a pound for a quantity of 15 tons. Potassium nitrate rose in price with lack of stock, selling at \$120 per picul. Sodium nitrate (Chile) was quoted at \$55 picul, without sales, but new arrivals fetched \$28 per picul for 10 tons. Sodium sulphide, solid, in 300 kg drums (British) sold for \$540 per long ton for 2 tons, the indented value being \$500; the USA 6 cwt drums also sold at from \$540 to \$640 per drum. Soda ash, Magadi, in 90 kg bags sold at 38 and 70 kg at \$32 per bag, the price, however, fell later when the requirements of buyers from Siam were satisfied. Carboic acid rose with demands from several directions, USA 450 lb drums selling at \$1.10 per lb., while black drum packing fetched \$1.07. Bleaching powder 70% in 130 lb drums USA

sold at \$1.40 per lb for 8 drums. Red amorphous phosphorus, Canadian, in cases of 10x11 lb tins sold at \$240 per case for 60 cases, while the French product fetched \$244 for 10 cases. Paraffin wax AMP 125/130 9 slabs per carton fetched \$64 per picul for 120 cartons at the commencement of the week, later rising to \$62 for 220 cartons. Quebracho extracts fell, crown brand dropping to \$88.50 from \$91 per 1 cwt. bag and elephant brand mimosa extracts fetching \$79 per bag for 200 bags compared with \$82. Indian lemon shellac also fell in price with the arrival of large shipments, No. 1 dropped from \$405 to \$390 per picul, No. 2 sold at \$375. Liquid bright gold stood at \$31 per 1 oz bottle.

Paper.

All kinds of newsprint were affected by the unfavourable US dollar exchange and prices rose with buyers, however, holding back: newsprint in roll 52 gr. 31" improved to 37 cents a pound a rise of 1½ cents, 43" also rose to 35 cents; 50 lbs in ream increased by 20 cents per lb. Buyers were anticipating lower rates in the future, as prices in Europe had dropped; newsprint in roll was being offered at £46 to £47 per ton c.i.f., the lowest quotation since the war. Swedish quotations were from £42 to £43 c.i.f. Large stocks held here, however, made fresh indents unnecessary. Old newsprint was also affected, red band 280 lbs being offered at \$17.60 but without sales. Cigarette papers were in the same position as newsprint, with buyers holding off: 29 mm 6000 m fell by 30 to 50 cents a bobbin, 27.5 mm 4000 m fell by 50 cents. Metal foil also fell. Cellulose 36"x39" rose by \$1 per ream.

Other papers than newsprint were in a different category, as large arrivals from Europe kept the market low: USA Woodfree 120 to 150 lbs quality fell by about 5 cents per lb. British flint papers offered an exception to the quotations given above for newsprint by rising from £175 to £177 per ton, the explanation being

an increase in the prices of chemicals from Germany which are used in the manufacture of this paper.

Vegetable Oils.

This week has been a rising one in tungoil. At first the difficulty of obtaining supplies from China overshadowed the market, and with the prospect of lowered stocks prices rose, but sellers would not let go at rates they considered still too low. Stocks of tungoil lying in Hongkong and Canton amounted to 2,000 tons; for the four weeks ending April 25 imports of tungoil came to 9,522 drums (2,000 tons), and of bean oil to 3,800 drums. The increased prices, however, were offset by a stagnant market abroad. Germany was making enquiries in regard to tungoil of 2% acidity, but little business resulted owing to the length of time it takes for buyers to obtain import permits. At the opening of the market tungoil with export permit sold at \$118 per picul for a quantity of 200 drums, and without permit at \$116 for 100 drums. In a couple of days the price rose suddenly to \$125 and to \$126 for a sale of 100 drums with permit, without permit selling for \$123. By the middle of the week it was selling at \$130 for a quantity of 40 drums, but almost immediately rose to \$135, closing at \$143 per picul. In Canton prices rose as steeply, being stimulated by the action of the Chinese authorities in reducing the percentage of exchange to be surrendered to 10%. Exporters considered that the alteration had been made to allow of commodities to be transferred to Hongkong for safety, whilst at the same time a large amount of foreign exchange would be secured by the Nationalist Government. Prices in Canton during the week rose from \$81.50 to \$85, \$93, and at the close to \$113 per picul. The information that India was permitting the exportation of 1,750 tons of linseed oil, created a fear that it would be again used as a substitute for tungoil, as had been the case during the last war when shipments of tungoil could not reach Europe or America.

Teaseed oil continued to rise, as mentioned in our issue of May 4; starting at \$125 per picul it rose very shortly to \$140, \$146.50 and to \$152 for a sale of 1000 drums. Sellers, however, did not push sales at these prices as they anticipated a better market with the admission of teaseed oil into Great Britain without import licences. Offsetting this optimism, however, is the fact of ample stocks in London from December to May arrivals, the price in London being £150 c.i.f. per ton or \$129 per picul f.o.b. lighter Hongkong. Importers can afford to wait until prices drop, as stocks are liable to deterioration in Hongkong with the coming of summer. In Canton, prices of teaseed oil rose from \$90 to \$105, \$109, and \$127 per picul. Rapeseed oil was dull throughout the week, with small sales being offered at the commencement at \$113 per picul with export permit, for a sale of 400 drums and ending at \$120, with export permit, and \$115 without permit.

Bristles.

The market for bristles was hampered by difficult transshipment from supplying centres in China, only a few routes remaining open. Suppliers also preferred to be paid in flour or rice rather than in Hongkong notes or gold yuan. No recent shipments had arrived from Canton. It is not surprising, therefore, that prices rose by 20%, in spite of the fact that the market in the United States was weak as well as in London. According to world prices, Tientsin No. 55 (reformed quality) stood at US\$ 6.80 and in London at 42 shillings, yet the figure for sales in New York was US\$6.50, while Chungking No. 27 was US\$3. On the local market, Tientsin No. 55 stood at \$43 per picul, a rise of \$7, Chungking No. 27 was at \$18.40, a rise of \$1.90. A shipment of Chungking white bristles 2" to 6" had been despatched to the US at the price of US\$3.20.

NORTH CHINA

Financial Reports

Since the Foreign Exchange Regulations were announced by the North China Govt., the Bank of China in Tientsin has commenced quoting exchange rates on April 18. The Foreign Exchange Office also opened for business on that day. Business hours are 10 to 11 a.m. and 2 to 4 p.m. Mr Mien, director of Exchange Dept. of the Bank of China, was appointed chairman of the Office, with Mr. Liu as vice-chairman. The ten appointed banks dealing in foreign exchange also commenced business. In a week's time (17-22 April 1949), there were 20 to 30 transactions, value of which was over HK\$1 million.

Official rates for foreign exchange as fixed by the Bank of China were as follows:—

	Apr. 17	Apr. 20.
US\$1 to P.'s	\$618	P.'s \$650
English Sterling „ „	\$1840 „	\$1840
Hongkong \$1 „	\$115 „	\$115
Croscrates, in US\$, per sterling	2.83,	
and per HK\$, 17.69 cents (per US\$100=		HK\$565.30).

Exchange rates between People's currency and "Gold" yuan have practically ceased, there being no business in this strip.

Little business was done on the Tientsin black market; during the second half of March, unofficial rates for US\$ and HK\$ were between 600-700, 100-110 respectively; and the rates remained the same in April.

Industrial Reports

Since the occupation of Tientsin by the Communists, public utilities were immediately taken over by the authorities and again put into action. The Tientsin Paper Factory has been rehabilitated. The majority of other former KMT Govt.-owned and KMT-owned concerns were re-opened by the end of March. Within a period of 1½ months, 108 govt.-run industrial enterprises had been taken over by the Communists, 70 of which, including metal, machinery, weaving, chemical, oil, electric, rubber factories, again attained normal productive conditions.

The Tientsin Paper Factory No. 1 branch for example, which for the month of March, was scheduled to produce 180 tons of bond-paper, 30 tons of newsprint turned out by March 26, a total of 160 tons of bond-paper and 27 tons of newsprint exceeding the scheduled quantity by 33% and 40% respectively. No. 2 branch of the same concern produced 34 tons of paper in the first half month of March, while the scheduled output for the whole month was 60 tons.

The Tientsin Chemical Company, whose main products are fertilisers, glycerin, soap, and bone extract (glue), production of which in the days of the KMT reign was 1.7 tons daily, is now being increased to 2.4 tons daily.

The principal reason for the increase of production is the improvement of the labourers' standard of livelihood. Labourers are now told that they are the proprietors of the factories, and naturally they try their best to improve their productive capacity.

Over 70% of the private enterprises are now functioning again after readjustment of relationships between owners and labourers.

The Yee Tsoong Tobacco Distributors, Ltd., originally called the British American Tobacco Co., has now a maximum production of more than 10,000 cases (50,000 cigarettes each case) monthly. During the reign of the KMT Govt., with 212 staffs and 1600 labourers, the monthly production was 2,600 cases. After the city was taken by the Communists, employees of this concern began to demand the overdue payment for 1½ months and half of the traditional annual bonus. Reason for delay of payment was lack of cash and inability of selling cigarette paper; however, a compromise was reached by employers and employees, with the mediation of the Workers' Committee of Private Enterprises, together with the Department of Commerce and Industry, who succeeded in selling cigarette paper on behalf of the Company to the Govt. Trading Bureau, thus enabling the employers to pay part of arrears.

Another remarkable example is the Pei-yang (North-Ocean) Match Factory, whose employees received a certain quantity of matches as payment of wages in lieu of cash. When the price of matches rose, the workers suggested on their own accord that 55% of the payment be deducted, to enable the proprietors to expand the factory's production. Living costs having remained stable, the workers did not want to cash in on the higher match price, rather demanding that production be modernised so as to assure future profitable operation.

IMPORT & EXPORT DUTIES IN NORTH CHINA

As from March 15, 1949 new regulations for dutiable imports and exports have been issued by the People's Government in Peiping. (Trade regulations were published in our issue of March 9, page 297). The regulations for dutiable imports and exports are as follows:—

1. All dutiable goods imported/exported into/from this territory will be subjected to these regulations.

2. Rates of duties are based on the Import Duty Regulations and the Export Duty Regulations of the Customs issued on September, 1948 and 1934 (revised edition—September 1945) respectively. Items not included in these regulations will be specified by the Foreign Trade Office.

3. Permits from the Foreign Trade Office must be produced and examined, registered as dutiable or non-dutiable before importing or exporting goods into or from this territory.

4. In the case of interior trading between liberated areas, goods will be non-dutiable, provided that documents from Trade Control Offices at original ports of delivery could be produced.

5. Customs Houses will be responsible for examination and collecting duties for imported and exported goods.

6. Duties for general imported and exported goods will be estimated by the Customs authorities, according to the average wholesale local market

prices of the preceding week. Imported goods having no wholesale market prices will be assessed at c.i.f. prices.

7. Imported controlled goods are subject to Import Duty as well as Control Duty Regulations.

8. Luggages, furniture, necessities for travels, presents etc., belonging to merchants or travellers which are not in the nature of merchandise, will be non-dutiable. Their classifications and limit of quantities will be specified separately.

9. Smuggling is prohibited. Smugglers will be fined, apart from the original payable duties, a penalty of 1 to 3 times of the amount. Smuggled goods will be forfeited.

10. Rewards to detectors of smuggled goods will be: (a) 30% of the penalty money or 30% of the forfeited goods, as the case may be. (b) Civil services which assist in detecting will be given one-half of the reward allowed. (c) Revenue officers will be given one-third of the reward allowed.

11. Importers or exporters being imposed with smuggling penalties may appeal to the Foreign Trade Office through authorities concerned with evidences and explanations within half a month from date of sentence.

12. Anyone may report corrupt officials with evidences of their black-mailing, receiving bribes or unofficially disposing of forfeited goods. Proper punishment will be imposed after investigations.

Tungsten Ore, Antimony and Tin Exports of China

During the last three years before the war, the bulk of China's mineral exports consisted of tin, antimony and tungsten, valued US\$43 m. per year. In 1937, these mineral products constituted about 11 percent of the total value of exports and, during the war, they became important to secure foreign loans.

The maximum annual production of wolfram or tungsten 13,600 tons, while that of antimony was 42,800 tons, being 65 percent and 80 percent of world productions respectively. The maximum tin production was 10,000 tons, about 8 percent of the world production, ranking fifth among the tin producing countries. In pre-war years, China's average annual production of tungsten, antimony and tin were estimated at 10,000 tons, 15,000 tons and 8,000 tons respectively. During the War, the production of tungsten ore and tin were maintained due to heavy demand of the United States and Soviet Russia. However, the production of antimony dropped on account of high transportation costs and its low price abroad. After the war, due to slack demand for war materials and mounting costs of production, China's production of tungsten and tin dropped. The export of tungsten ore and antimony remains since many years the monopoly of the government. The export of tin had been decontrolled in 1946 but the Chinese government still maintains in practice some form of export control.

Exports of tungsten (as far as officially recorded) from January to August 1947 amounted to 3,515.9 tons, most of which shipped to America and Russia for payment of loans and in exchange for materials. Exports to Western Europe were limited due to the lack of U.S. dollars in these countries. Exports of antimony for the same period totalled 5,156.6 tons shipped mainly to the U.S. and the rest to Western Europe, Canada and India. America was chief importer of China tin with 3,163.7 tons. In the first eight months of 1948, according to Customs records, a total of 5,123 tons of tungsten ore, 3,080 tons of antimony (including regulus and crude) and 2,380 tons of tin were exported. These exports were estimated at a total value of US\$14,000,000.

Mining production of tungsten ore in 1948 has almost reached the pre-war level. The production of antimony and tin, though still below pre-war level, is recovering. During the first seven months of 1948, 5,727 tons of tungsten ore, 1,758 tons of antimony and 815 tons of tin were mined as compared to 2,847 tons of tungsten, 928 tons of antimony and 692 tons of tin produced in the corresponding period of 1947.

Price fluctuations in international markets are great. During and after the first World War the ceiling price in New York reached US\$93.50 per short ton for tungsten, 46 cents per lb. for antimony, and \$1.10 per lb. for tin, while the lowest prices for the same amounts were \$1.50, 4.25 cents, 18.35 cents respectively. During the last war, control measures were carried out by all nations, resulting in stable prices for these minerals. After V-J Day, controls were gradually removed. The large gap between supply and demand began to show. Owing to destructions brought by the war, important mining districts could not immediately restore their former capacities. Mines kept open during the war were not fully operated due to anticipated lower consumption after the return of peace.

The average price for antimony in New York was 29.594 cents per lb. January 1947, in February, it rose to 31.194 cents, in April 34.440 cents, but became more stable from May. The price of tin which was 70.00 cents per lb. during the first three months of 1947, rose to 80.00 cents from April onwards. Fluctuations in the price of tungsten are more noticeable. For a short while after the war, the price dropped, but during the first half of 1947 higher quotations were recorded. Prices per short ton were US\$23.00, 24.00, 25.00, 27.00, 28.00, 29.50 and 31.50 for January to July respectively. In the latter part of the year the market became more stable. Taking the 1922-26 average price for comparison, the present price of tungsten has risen by about 260%, that of antimony 200%, and of tin about 60%.

The world prices of tungsten ore, antimony and tin during 1948 were kept on a high level as compared to normal-time prices. Tungsten ore showed a weak tendency during the first few months following the rise

of prices in 1947. When the market learned that the U.S. Treasury was contemplating to purchase tungsten for stockpiling the price of tungsten turned firm after August. Supplies of Chinese ore in the market became scarce. Throughout the year prices ranged from US\$24 to US\$30 per short ton unit in New York and 100 to 138 shillings per long ton unit in London.

Antimony and tin prices rose during the first ten months of 1948 due to increased cost of production and keen demand. Antimony price in New York was 34.62 cents per pound for 99.5% grade at the beginning of 1948. In June, the price rose to 36.67 cents and in October it rose further to 40.17 cents. As buyers hesitated to buy at high prices and as foreign competition was kept, antimony prices turned weaker toward the end of 1948.

Tin prices rose from 94 cents per pound to 103 cents during June in the United States. As the world production of tin was fast recovering as a result of the rehabilitation of Eastern tin mines, the price dropped subsequently to below 80 cents.

While tungsten ore, antimony and tin remained China's principal mineral exports, other minerals have been exported in 1948. In Jan.-Aug. 1948, 90,871 tons of iron ore and 600 tons of ferro-silicon were exported. Considerable quantities of iron ore stocks accumulated in Hainan, with Japan being the most prospective market for iron ore in view of Hainan's geographical proximity. Ferro-Silicon, a produce of the Taiwan Fertilizer Corporation, was recently introduced to the export market. In Jan.-Nov. 1948, the Chinese government (in monopoly control over Taiwan's produce) exported to European markets 600 tons of ferro silicon of a total value of US\$110,000. Other minerals that promise export possibilities are manganese ore, magnesite, quicksilver, fluorspar, aluminum and zinc ore. On account of the prevailing uncertain conditions with regard to transportation and production caused by the war and the increasing high cost of production, no substantial exports were made during 1948.

Wolfram Ore Mining and Trade in China

Wolfram ore production of China takes up 39 percent of the world's total output. That of Kiangsi Province accounts for 70 percent of China's total production, or 27 per cent of all produced in the world.

Next to China are Burma, 18 percent of world's total, the United States, 11 percent of the total. Bolivia, Malaya, Portugal, Japan produce in smaller quantities.

Wolfram is found in southern Kiangsi. The richest deposits are in the Yiling Lohsiao mountain ranges, which run through south Kiangsi and continue into Hunan and Kwangtung, where are also wolfram mines of lesser importance.

Wolfram deposits in Kiangsi are estimated between 1.6 million to 3.9 million tons. The largest deposits are located in Tayi Hsien, (half a million tons).

New wolfram veins were discovered in Kwangfoong Hsien, eastern part of Kiangsi. The deposits possibly are large and are exposed on the surface. It appears not impossible that an annual production of 2,500 tons can be obtained in this new mining district. As a result of the discovery of wolfram, this deserted mountain region is now populated with miners. A government survey of the area is awaited to determine the extent of the deposits.

The wolfram deposits in south Kiangsi were first discovered by a German missionary in the late Ching dynasty less than half a century ago. In the beginning, private companies and individuals were free to mine. Later, the Kiangsi provincial government established a wolfram tax bureau to collect a levy on the output, and the district governments imposed a surtax on the mineral. Private operation of the mines continued until 1928, when the provincial authorities made wolfram mining a monopoly. A system of leasing the rights of wolfram mining to private enterprises under contract was put into effect until great public indignation arose, against private mining companies which were reaping big profits. For almost a year after the contract system was discontinued by the provincial government, operation was suspended for lack of capital. In 1932 work was resumed under a system in which the mines were operated by private enterprises but supervised by the government, which set up a wolfram control bureau for the purpose. In 1935 the provincial government took over the operation of the mines, and in 1936 wolfram mining became a state industry. The National Resources Commission established a wolfram administrative office to take over control.

The operation of the mines continued during the war until 1945, when it was suspended for a brief period owing to impossibility of exporting. After V-J Day, the industry came to life again. Exports were shipped to Hongkong via Canton under the control of the National Resources Commission who control production and trade as a state monopoly.

Wolfram is also produced in Kwangtung, Hunan, Hopei, Kwangsi, Yunnan, Fukien and Sinkiang, especially in the three first named. The output of Kiangsi remains the largest, amounting to 10,000 tons annually.

Mining of Wolfram Ore in Kiangsi (in metric tons)

1918	13,162	1932	5,056
1919	7,675	1933	9,313
1920	9,141	1934	8,900
1921	9,396	1935	9,171
1922	10,505	1936	7,896
1923	7,357	1937	7,980
1924	8,025	1938	9,102
1925	9,966	1939	8,582
1926	9,068	1940	6,673
1927	8,747	1941	10,085
1928	8,750	1942	10,015
1929	12,146	1943	7,626
1930	6,377	1944	2,897
1931	5,299	1945	suspended
		1946	2,567

China's wolfram production is tied up with the world situation. In 1918, the output was 13,162 tons, due to the competitive buying by all countries involved in the war and the resultant sharp rise in prices. As the war came to an end in the following year, the output declined heavily. In 1929, the production figure again soared to 12,146 tons, as result of the world economic recovery. The next year, with the advent of the worldwide slump, the figure once more dropped to 6,377 tons.

There are at least four kinds of tungsten ores found in Kiangsi Province among which wolframite and scheelite are the most important. They all contain more than 60% of tungsten trioxide on the average. Besides, these minerals contain also manganese dioxide, ferric oxide, silicon dioxide, calcium oxide, together with tin and arsenic ores. The composition of the tungsten ores in different localities is not uniform. Those found in Liang-Pi-Chow show the following analytical results:

Mineral	W03	Mn02	Fe203	Si02	Ca0
Wolframite	72.97	10.55	12.76	3.56	—
Scheelite	79.49	—	—	0.43	20.22

During the early years of the Sino-Japanese hostilities, when the Japanese blockaded the Chinese ports, wolfram was exported through Hongkong and Rangoon. When the Pacific War broke out and these two cities fell wolfram continued to be exported by two routes—one through the North-western Provinces to Soviet Russia, and the other through Kunming to India in transport planes. Neither route proved to be practical, as the former was costly and the latter limited. As a result, mining declined and was halted by 1945. When the war ended in August, 1945, the export of stocks was resumed through Hongkong. The volume increased as mining re-started. In 1948, it was estimated that 6,000 tons were exported.

In wolfram mining in Kiangsi, ancient methods of digging for the ores have been used. In 1940, in an attempt to increase production, the National Resources Commission introduced the use of machinery in three mining districts as an experiment. The results were discouraging and the new method had to be discarded as it proved to be cheaper to continue with hand labour.

The wolfram miners work in units each of several scores of people. Sometimes a unit is a whole family, in which both young and old are assigned specific work such as digging, washing or crushing. Owing to the low price fixed by the government for wolfram ore, the miners are very poorly paid, earning hardly enough to maintain the lowest standard of livelihood. Most of the miners are professionals, but there are also many who work in the mines only when they are not toiling in the field.

The low-price policy of the government has brought about three very unsatisfactory consequences: (1) Increase of smuggling, (2) Change of profession by miners, and (3) Drop in production. Owing to the failure of the government to readjust the price of wolfram ores

Industrial Reports from Japan

Building & Civil Engineering

Builders and general contractors are face to face with a serious depression as in 1929-31. Immediately after the war's end, they enjoyed an exceptional boom due to the successive undertaking by the Occupation Forces of various construction projects. Many of them, thus, no matter whether they were long-established or newcomers, managed to amass millions of yen. They soon, however, were shaken out of their complacency as construction expenses were pared by the Occupation Forces and Japanese Government authorities followed suit by curtailing their expenditures and delaying payments. For all this, they have thus far managed to tide over the difficulties because the rational budget has been swelling since the war's end and business corporations have been pushing their expansion programs on the strength of equipment funds that have been generously furnished by the Reconstruction Finance Bank and other institutions.

to make it fall in line with world market prices and with those of other commodities, armed smuggling has grown. Buying the mineral in the producing districts and smuggling it through Kwangtung to Hongkong, smugglers are able to dispose of their cargo at three to four times the price of purchase and to make 100 to 150% clear profit despite the heavy cost of getting the goods safely out of the country. The smugglers are well armed and well organized. In view of this fact, it has been impossible for the government to stop their illicit activities. Besides Hongkong, Macao and Indochina were used by smugglers. The amount of wolfram ores smuggled out of the country to different points for export is large. As a consequence, the government has been compelled to pay higher prices to the starving miners and thus to make smuggling less attractive. The livelihood of the miners can only be improved and production can rise if a new government replaces the present one. Only then can China be depended on by the world users to supply their needs.

It is the logical contention of Chinese private mining interests that one of the urgent needs for the development of China's wolfram industry is the establishment of a smelting mill in the country to handle the ores produced. In the country which produces the largest amount of the metal such an essential plant is lacking, so that all the ores mined have to be exported to other countries. The setting up of a wolfram mill will involve considerable outlay and much technical skill, but the benefit from such a project will be worth many times the investment. The assistance of foreign technical experts may be sought in the working out of such a plan. From the point of view of saving cost of transportation of the ore, the building of a smelting plant will be justified. Only foreign capital can undertake such a job and given internal stability and a proper trustworthy government this important project could be realised.

According to the SCAP-suggested 1949-50 budget the fund for expansion and rehabilitation of industrial facilities will be curtailed; the Reconstruction Finance Bank will abandon much of its functions; most housing projects for coal mine workers will be suspended; the Railways and Communication Ministries' reconstruction and expansion plans will be reduced by half; and school construction schemes will, perhaps, be stopped in many cases.

There are about 30,000 builders and general contractors, ranging in size from big corporations like the Shimizu Gumi, capitalized at ¥70 million and employing 25,000 workers, to small concerns with several employees. There were 15,563 contractors as of July 31, 1948. It is now generally held that about 30-40 per cent of them will have to wind up within the current year.

Electric Bulbs

Due to the wartime adjustment of peace-time industries, the number of electric bulb plants decreased to 120 in 1942 from 290 in 1933. As many of these plants, especially in Tokyo and Osaka, were destroyed by air raids, there were only six registered companies in operation at the end of the war. With the gradual rehabilitation of postwar economy this industry has revived. In Spring 1948, registered plants numbered nearly 400, and the figure would have been about 500 if unregistered makers were included.

Monthly electric bulb output eclipsed the 10 million mark in February, 1948, and more than 13,000 bulbs were made in March for the first time since the war's end. But indications of over-production soon appeared on the home market. The domestic demand is estimated at 9-10 million bulbs per month.

Following the abolition of the official price, the market price for superior 60W bulbs made by the Big Three—Tokyo Shibaura, Toko and Matsushita—jumped to ¥54-55 per bulb from the official ceiling of ¥22.65, or a 2.8-fold increase, whereas inferior bulbs were sold as low as ¥18. Bulbs made by the Big Three companies are now being retailed at ¥55 for 60W and at ¥45 for 40W at leading department stores.

The lifting of the official ceiling has affected minor companies. The number of electric bulb plants has dropped to 300 from 380 in the Spring of 1948.

Iron and Steel

Rolled steel production for the 1949-50 fiscal year is scheduled at 1,800,000 metric tons, of which 600,000 tons is earmarked for export (iron and steel products are the second largest export item next to textiles in the 1949-50 export program). The production goal registers a 50 per cent increase over 1948-49. It is for attaining the target that the Government decided to adopt an output concentration policy, to make the best use of available materials, such as iron ore, coking coal, fuel oil and gas coal for open hearth furnaces, in those iron works which adopt the so-called continuous process from pig iron to steel rolling and those plants which specialize in steel making and rolling.

From the war's end to early 1947, electric furnaces played a major role in steel production. Reasons: (1) Pig iron output could not be increased easily, (2) gas coal was not amply supplied for open hearth furnaces, (3) many electric furnaces remained intact without suffering war damages, (4) scrap iron was plentiful for electric furnaces. With the importation of fuel oil in Spring 1947 open hearth furnaces began to turn out a greater amount of steel ingot than electric furnaces. Ingot output by electric furnaces totaled 440,000 metric tons in 1946 and increased to 493,000 tons in 1947. In the April-December period, 1948, 472,000 tons were produced, and the 1949-50 output goal is set at 454,000 tons. On the other hand, pig iron by blast furnaces and steel ingot by open hearth furnaces have gained and will increase more than ever. As of consequence, the percentage of electric furnaces has been declining.

As of August 1948, scrap iron available in Japan was estimated at 3,410,000 metric tons, of which about 2,000,000 tons was considered industrially usable. By the end of 1948-49, about 500,000 tons was consumed, leaving 1,500,000 tons for consumption in 1949-50. Because 400,000 tons has to be reserved as running stock, the usable amount in 1949-50 is 1,100,000 tons. In contrast, the actual demand is estimated at 1,745,000 tons, of which 1,225,000 tons is for open hearth furnaces and 520,000 tons for electric furnaces. This means that, in addition to 1,100,000 tons, steel works themselves have to provide 655,000 tons at their own plants.

The situation will assume more serious proportions in 1950-51, as there will only be 400,000 tons in stock. The scrap iron shortage is the toughest bottleneck in the way of steel production. Incidentally, the percentage of mixing for steel manufacture was 42 for pig iron and 58 for scrap iron in 1949-50, and the ratio will be nearly the reverse in 1949-50, i.e. 53 to 47.

The proposed concentration of production, is likely to bring about far-reaching effects on the setup of the

steel industry. The center of gravity in steel production will shift to companies making pig iron and steel by the continuous method. Out of the aggregate rolled steel output in 1948-49, continuous process companies furnished 48.5 per cent and steel-making and rolling plants 51.5 per cent. The ratio will be reversed in 1949-50.

Iron works adopting the continuous process are: the Yawata, Wanishi and Kamaishi Works of the Japan Iron Manufacturing Company and the Kawasaki Works of the Japan Steel Tube Company. The Hirohata Works of the Japan Iron Manufacturing Company and the Nakayama Steel Works are expected to resume operation. Japan Steel Tube's Tsurumi Works and the Ogura Steel Works still remain idle.

There are in operation 17 steel-making and rolling plants with 59 open hearth furnaces. They are: the Japan Iron Manufacturing, Japan Steel Tube, Fuso Metal Industries, Kawasaki Heavy Industries, Kobe Steel Works, Japan Steel Works, Toto Steel, Mitsubishi Steel, Amagasaki Steel, Nakayama Steel, Nichia Steel and the Ogura Steel Works. The first five companies are called the "Big Five Steel Makers."

During the 1949-50 fiscal year, 14 more open hearth furnaces will be put into operation, bringing the total number of operating furnaces to 73. All of these furnaces are operated by those works which are now in operation.

Japanese Cotton Spindles

measures for industrial reorganization, Japan's cotton mills had more than 13 million spindles. The close of the War, however, found the number of the spindles reduced to 2 million. The industry has been exerting efforts to recover one third of the pre-war number. Their schedule is 4,000,000 spindles by the end of 1949, by which the big-10 operators expect to have 3,665,366 spindles in working condition.

At the end of February, the rehabilitation work of the big-10 operators showed the following figures:—

	Number Scheduled Spindles	Attained Spindles
Nippon	462,532	456,004
Tokyo	523,191	469,432
Shikishima	373,664	327,564
Daiwa	368,016	276,904
Kurashiki	315,852	292,654
Daiken	429,840	418,416
Kanegafuchi	403,908	304,548
Fuji	323,300	324,020
Nishin	284,016	286,440
Nitto	181,048	181,768
Total	3,665,366	3,337,748

Procedures for Handling Export

Documents

In accordance with a recent SCAP memorandum to the Japanese Government, procedures for handling export documents have been modified to expedite foreign-trade transactions. Export contracts, except those negotiated under open-account agreements, will not require SCAP validation before final consummation. Export licenses, except for certain specified commodities, will not require prior SCAP validation provided: (1) The export falls within the approved export program; (2) the export price is at or above approved "floor" prices; and (3) payment is arranged in terms of US\$, convertible pounds sterling, or in accordance with other payment arrangements approved by SCAP. Although SCAP will not validate in advance contracts and licenses under such conditions, it will post-review such documents.

Commodities for which prior SCAP validation of export licenses will be required are scrap metal, ships, rolling stock, machine tools, all textile products, all raw materials currently on approved import program, non-ferrous metals or ferro-alloys subject to review under current procedures, those items requiring the use of precious metals

except as specifically directed, and those commodities requiring special handling or special contract agreements. The Japanese Government will continue to be responsible for the approval of export contracts in accordance with SCAP policies.

Trade Agreements

Four trade pacts have been concluded in the latter part of 1948 by SCAP for Japan as follows: (1) With certain sterling-area countries (Australia, India, New Zealand, the Union of South Africa, and the United Kingdom and colonies except Hongkong); (2) with Siam; (3) with the Netherlands and Indonesia; and (4) with Sweden. Negotiations are under way for trade arrangements with other countries, including Burma, Ceylon, Pakistan, the French Union, and the Belgian monetary area. It is expected that these trade pacts, together with previously negotiated barter, financial, and trade arrangements with other areas, will facilitate expansion of Japan's industrial production and foreign trade and thereby will reduce the amount of United States appropriated funds required to maintain a minimum economy in Japan, and also will contribute to the reorientation of trade along more normal geographic patterns.

In general, Japan will supply the countries with which pacts have been consummated or are planned with various manufactured goods in return for needed raw materials. All the plans which have been signed to date are not actually agreements, as such as generally defined, inasmuch as the provisions as to the character and volume of trade included in each plan are not binding commitments. Although commodities and quantities have been named in the pacts, the types and volume of goods constitute only estimates of expected trade in light of current and foreseeable future conditions. Other provisions of the signed agreements are that trade will be conducted through both government and private channels; the parties to each of the pacts will make every effort to maximize the flow of trade with due consideration to each other's domestic requirements; and wherever necessary to achieve a high level of trade, each participant will relax trade controls and facilitate reestablishment of pre-war commercial relations, with particular emphasis of expanding trade through private trade channels.

It is expected that the total trade under the four plans (purchases by Japan and sales by Japan to the various countries now participating in the plans) will total US\$367,000,000. Realization of this volume, however, depends on several factors, including: (1) Production achievements in Japan and the participating countries; (2) price and trade developments during the period of the plans; and (3) the ability of Japan to obtain allocations from the IEF for rice, copra, palm oil, and other vegetable oils.

Industrial Production

In December 1948 the over-all index of industrial production in Japan reached a level of 64 percent of the 1930-34 level. The level for the entire year of 1948, however, was only 54 percent of industrial production of this prewar period. Mining and the manufacture of machinery, metals, and chemicals have reached the highest levels in Japanese postwar industry, whereas textile manufactures, which provide the single largest group of exports, are at a level of only 25.7 for December 1948, and 23 for the year 1948.

Japanese Industrial Production
[1930-34=100]

Production	Year 1948	Jan. 1948	July 1948	Dec. 1948	Year 1947
Over-all industrial production	54.1	42.5	55.1	64.0	40.9
Mining	120.7	102.8	97.5	111.1	84.9
Manufacturing	46.9	33.2	48.6	56.2	34.1
Textiles	23.0	16.0	23.3	25.7	19.5
Metals	64.7	37.7	65.9	87.7	34.5
Machinery	70.2	49.5	69.9	94.2	44.4
Chemicals	71.8	46.5	79.2	79.8	45.0
Food, beverage, and tobacco	55.1	38.4	69.1	62.6	43.8

Japan's Industrial Life

(By Our Correspondent in Tokyo)

Japan, under the spur of necessity, coupled with the American policy of giving wide encouragement to a resurgence of industry, is making remarkable headway in re-organising her factories and trade generally. As frequently pointed out, Japan is in a somewhat unique and certainly favourable position in regard to some vital aspects in her industrial rebirth. For one thing labour is cheap and practically unlimited, so much so that life as well as labour can be definitely placed amongst the cheaper categories of Japanese national existence. It is true that under the American aegis wages have improved, but the abundance of supply necessarily limits what can be done in that respect. Labour unions function, but with the bonuses which many companies are now giving to their workers there would be little, if any, hope of a successfully organised revolt even should they wish to attempt anything of the kind.

Imports of raw materials are also an important factor in Japan's progress as it is anticipated that during the current fiscal year some 1.2 million tons of steel and 900,000 tons of pig iron will be produced. Given a continual supply of raw materials, the same picture of progress is seen in all other industrial plants. To give emphasis to this progress a report issued from General MacArthur's headquarter during last week announced that industrial production now stood at 68.8% of the 1930-1934 industrial level. These figures, which are based on index reports for March cover coal mining, textile manufactures, metals, chemicals, building materials, and food stuffs.

Textile Industry

The Australian Government has announced that it is prepared to allow the importation of Japanese goods to the value of A£1.5 million. Cotton textiles will account for A£750,000, silk and

rayon for A£125,000, and raw silk to the value of A£162,000 is also included. The Australian authorities, in order to safeguard their own domestic commodities, have stipulated that all imports must be made on licence and these will not be given should the article concerned be obtainable from domestic sources or from sterling areas. A telegram from Cuba announces that in an effort to halt free importation of Japanese textiles these must now be covered by consular invoices. Singapore has also announced that imports of Japanese textiles must come under a quota system. This is the first time since the war that the quota system has been enforced. There has, in fact, been some hitch in the negotiations between Singapore and the Federation Governments over their share of Japanese textile imports, due to what is understood to be the allocation to Malayan traders. This Malayan trade is growing in importance to Japan and import licences valued at US\$10 million for Japanese goods, excluding textiles, were issued last December to Malayan merchants, Malay's quota for textiles is estimated at 15 million yards.

Textiles are, according to reports, affected adversely by the new exchange rate for the yen. It is thought that with an exchange rate of 330 and 420 yen to the United States dollar the textile industry will require government subsidies of something approaching the 12 billion yen mark. Only cotton yarn, cotton fabrics, flax yarn and silk fabrics would be exported at 300 yen to the dollar, but as these comprise only 47 per cent of all the textile exports the other 53 per cent of textile materials would require assistance.

Motor Industry

The Japanese motor industry is forging ahead and it is hoped that something like 20,000 motor-cars will be built this year but, at the moment, these will be almost exclusively for domestic use. To make exports possible it is the general opinion that Japan would have to sell cars at below US\$1,000 f.o.b. be-

cause the new style American car can be bought for US\$1,300 or thereabouts. There is however, still a possibility that Japan might find a market in the Philippines, Siam and Indo-China although little has been done in that line at present.

Japanese Paint Industry

Paint is divided into many kinds by use, roughly summarized as follows:

1. To add beauty to industrial products, buildings and other structures;
2. To cover the surface of industrial products and buildings and other structures, and prevent them from being damaged by exposure;
3. To save lumber from rotting and iron from rusting;
4. To insulate electricity;
5. To keep crustacea and seaweeds off the bottom and sides of ships.

Putty used to fix a window-glass on the frame is a special kind of paint, too.

The present domestic production of paint only meets 20 per cent of national demand. This is due to the shortage of fats and oil, on which the paint industry relies.

In 1935-1937 the Japanese paint industry had equipment to produce about 200,000 metric tons of paint annually. Actually about 120,000 tons were produced in an ordinary year. This amount was sufficient to meet the national requirement and export 10,000 or 20,000 tons yearly. A big output exceeding 100,000 metric tons was kept up annually until 1941 when the Pacific War broke out. As the war progressed, production gradually decreased to 90,000 tons in 1942, 60,000 tons in 1943 and 50,000 tons in 1944, while the yearly production capacity was cut to 140,000 tons. The greater part of the paint products was appropriated for military use such as painting ships and aircraft, with the result that civilian consumption was curbed.

After the war, the shortage of fats and oil dealt a crippling blow to paint industry. Only after the third quarter of 1947 production was resumed on an allocation basis. Even then the total output was only 14,000 tons or about one-eighth of the prewar level. The 1943 requirement of paint amounts to 100,000 metric tons, but the production amount up to the end of the third quarter totalled only 15,000 tons or 18 per cent of the national requirement.

At the outset of 1948 it was planned to produce 35,000 tons of fats and oil, but later it was considered possible to increase the amount to 45,000 tons. Accordingly it is expected that 23,000 tons of paint may be produced within the year. The Commerce and Industry Ministry hope to raise the production level to 50,000 metric tons in 1949.

Oils such as linseed oil and tung oil which form the basic materials for paint are practically not produced in Japan. Now that the stock is exhausted, the import of such materials is the only way to revive the Japanese paint industry. The government authorities are endeavoring to import annually 22,500 tons of linseed oil and 5,900 tons of tung oil by 1953.

Besides the acute shortage of materials, there is another bottleneck to the sound development of the paint industry—namely that though the existing equipment is more than enough to take care of present demands the operating efficiency is as low as five per cent.

In order to improve efficiency the Commerce and Industry Ministry will initiate a coupon system to set allocations for production. In this way inefficient factories will be eliminated.

In this manner the six leading makers:—Kansai Paint, Nissan Kagaku, Nihon Paint, Dai Nihon Torio, Shinto Torio, Toakagaku and other better plants will be given a chance. The day will thus come soon when the Japanese paint industry which annually exported about 20,000 tons of products all over East Asia before the war regains her former prosperity.

Japanese Fats and Oil Industry

The Japanese fats and oil industry dates as far back as 1872 when soap-making from imported coconut oil and cotton seed oil was begun on a small scale in Yokohama and Osaka. However it was not until the Taisho Era (1912-1926) that this industry really developed.

With his eye on the cheap fish oil produced in the Hokkaido, an Englishman, River by name, who came to Japan in 1909, commenced the manufacture of hardened oil and soap at Amagasaki factory of the Nissan Kagaku Kabushiki Kaisha.

Meanwhile, Dr. Mitsumaru Tsujimoto and Dr. Makoto Ueno doing research in making hardened oil succeeded in their experiments in 1911, and started industrial production in the Yokohama Yushi Kabusha (the Yokohama Fatty Oil Co., Ltd.) Both processes utilized fish oil in making hardened oil. Later in 1918, the Asahi Denka Kohyo Kabushiki Kaisha (the Asahi Electro-Chemical Industry Co., Ltd) adopted a new process of making hardened oil from hydrogen generated in large quantities, as a by-product of soda ash, a new product of the company. This method was followed by many others.

However fish oil soon became lacking but this shortage was eased by the importation of soy-bean from Manchuria, fish oil from Korea and whale oil from the Antarctic as raw material to make fats and oil.

The sudden increase in production of fatty acids from about 1935 is due to the fact that to boost the output of glycerine, fat is separated into fatty acid and glycerine to make soap.

The fatty and oil industry which originated in the utilization of domestic fish oil developed parallel with the soda industry and came to rely largely on overseas countries for raw materials. In the peak years more than 80 per cent of the total requirement came from abroad. As ocean transportation became more difficult with progress of the Pacific War, the production of fats and oil declined sharply. In 1946 the importation of raw material was almost at a standstill, only 6,900 metric tons of soybeans imported that year.

As a result of increased imports in 1947 of American soybean and soybean flour, Philippines copra and other materials, the Government raised the allocation of fats and oil (including edible fats and paints) from 27,300 metric tons in 1948 to 37,000 tons. But because of the dearth of stock on hand, the 1947 output was marked by a further drop, falling to half the amount in 1946. This was only one-fortieth of the prewar production.

In the first half of 1948, production improved on the whole. Production depends on the import of raw materials.

In regard to future development of the fats and oil industry the Economic Stabilization Board plans to restore production to the 1930-1934 level by 1953, as in the case of other industries.

Under the five-year plan of recovery, it is estimated that in 1953 with a population expected to reach 87,663,000 10 grams of fats and oil can be rationed to each person daily, and 1,417 grams of soap per person annually. As to glycerine, all the requirements for explosive and medicinal use will be met by 1951 or the third year of the plan. The following table shows the estimated output of fats and oil industry products in 1953, the last year of this plan (in tons):—

	Allocation of Raw Material	Output
Hardened Oil (edible)	50,500	45,450
Hardened Oil (industrial)	7,900	7,100
Fatty Acid	23,400	19,375
Soap	113,200	146,140
Glycerine		10,449

Note: Glycerine is a by-product in the manufacture of fatty acids and soap.

However realization of the plan is fully governed by the importation of materials. Though it is expected that 757,570 metric tons of fats and oil will be imported in 1953, yet it must be admitted that this amount is subject to change, depending on the world supply and demand, and Japan's capacity for import. Moreover, as this assumed amount of imported fats and oil only covers 77 per cent of the total requirement in 1953 production plans are necessarily unstable.

On the other hand, the domestic production of fats and oil in 1953 will be raised to 132,900 metric tons or five times this year's total, by encouraging planting of soybeans, utilizing rice-bran and increasing production of fish and whale-oil. The achievement of this plan, however is dependent on the staple foods situation.

Since Japan's fats and oil industry largely depends on the importation of raw materials, it is necessary to pay for the cost by exporting processed goods.

Names of Firms and their exported products:—Asahi Denka Kogyo K.K.; (Hardened oil and Adeka Soap); Nissan Kagaku Kogyo K.K.; (Hardened oil, Nissan soap and velvet soap); Dai Nihon Yushi K.K.; (Hardened oil and Kao soap); K.K. Shiseido; (Shiseido soap); Lion Yushi K.K.; (Hardened oil and Lion soap).

These leading companies are carrying on business on a solid basis, waiting for a chance to export their merchandise. At present, such special products as Japan wax and vitamin oils are exported, but it is hoped that in future the export list will be extended to include hardened oil, soap, fatty acid and glycerine so that the expense in importing raw materials for domestic consumption will be covered by such processed goods.

Japanese Dyestuff Industry

In prewar days Japan manufactured about 800 kinds of synthetic chemical dyes amounting to 28,806 metric tons in the peak year of 1939. Of this amount 11,482 tons or 39 percent was exported.

Japan's dyestuff industry made steady development in prewar days; output exceeded that of Switzerland and ranked next to that of Germany and America. Thus, except for a very small amount of high grade dyestuff imported every year, Japan became an export country with East Asia as its chief market.

Since reaching the peak of 28,806 metric tons in 1939, this industry which

prospered so much gradually dwindled with the outbreak of the China Incident as the turning point, until in 1945 the output tumbled down to 652 tons.

In 1939, about 17,646 metric tons or nearly 60 percent of the total output (28,806 metric tons) was consumed for domestic use, and 11,482 metric tons or about 40 percent was sent abroad.

At present there are thirty-seven companies involving forty-five factories. It even seems that too many have already cropped up.

The combined production capacity of these manufacturers is 7,500 metric tons. This is the production goal for 1948.

Of 28,206 tons of dyestuff in 1939, about 17,000 tons were required domestically for the then spinning capacity of 13 million spindles. Supposing this relation between supply and demand exists at present about 5,000 metric tons of dyestuff will suffice for the post-war spinning capacity of a million spindles, though the amount is

subject to change depending on the export situation of textiles. Therefore, if the goal of 7,500 tons is attained it will be possible to export about 2,000 tons of dyestuff.

In prewar days, export constituted the mainstay of foreign trade, excepting that very small quantities of high grade dyestuff were imported from Germany and America to manufacture high quality textiles for export. Most important markets were India, China, and the Philippines.

The production goal of dyestuff for 1953, the final year of the Economic Stabilization Board five year plan is set at 24,000 tons of which 11,000 tons or 45 per cent of total output is slated for export.

The goal for the final year of the plan corresponds to three and a half times the goal for 1948. To attain this, it is necessary to procure an abundant supply of coal and coke. This requisite can only be met by the speedy recovery of coal and power production.

Production of Dyestuff under the Five Year Plan

(Unit: Metric Ton)

	1949	1950	1951	1952	1953
Direct Colours	2,500	3,000	3,600	4,000	4,800
Acid Colours	400	500	600	700	800
Basic Colours	750	800	900	1,000	1,200
Chrome Colours					
Acid Chrome Colours	500	550	600	650	800
Sulphur Colours	4,500	6,000	8,000	11,000	13,000
Sulphovat Colours	150	200	300	300	300
Vat Colours	400	500	800	1,000	1,400
Naphtol-Ground					
Naphtol-Developer	750	900	1,100	1,250	1,600
Others	50	50	100	100	100
Total	10,000	12,000	16,000	20,000	24,000

The Foreign Trade of Japan in 1947 and 1948

(Values in thousands of Yen; volume in metric tons)

EXPORTS					IMPORTS				
Countries	1947 Value	1947 Volume	1948 Value	1948 Volume	Countries	1947 Value	1947 Volume	1948 Value	1948 Volume
Asia					Asia				
Korea	1,746,134	1,039,870	4,635,214	1,145,052	Korea	132,982	22,322	694,935	53,151
China	792,591	229,199	291,623	43,559	China	254,496	231,589	1,868,419	513,907
Soviet Russia	12,373	47	332,390	4,230	Saghalien, Kurile Is.	94,202	26,988	715,194	185,750
Ryukyu Is.	237,375	28,803	392,129	24,001	Soviet Russia	33,650	13,636	105,179	29,738
Hongkong	645,524	128,251	3,378,425	165,239	French Indochina	—	—	132,749	26,780
Siam	115,225	3,066	1,185,648	6,987	Burma	1,928	127	141,556	8,277
Singapore	156,606	1,372	1,370,021	6,804	Malaya	213,736	15,453	1,034,521	120,828
Philippines	88,767	10,236	914,817	73,628	Philippines	143,542	13,200	791,423	65,471
Sumatra	140,927	1,008	619,241	3,245	Sumatra	—	—	223,637	31,159
Java	1,260,597	22,451	5,661,368	42,891	Java	50,651	4,150	597,968	45,580
Dutch Borneo	11,901	285	149,282	2,034	India	499,746	20,823	1,631,018	74,971
Celebes	415,213	4,885	1,157,132	10,335	Arabia	127,275	59,625	646,994	90,595
India	517,088	4,460	2,070,157	19,707	Bahrain Is.	—	—	566,331	70,609
Pakistan	—	—	145,833	455	Others	181,931	158,165	373,101	56,066
Ceylon	35,450	1,725	246,588	4,679	Total	1,684,139	565,483	9,530,625	1,422,382
Iran	1,099	13	533,038	7,605	Europe				
Aden	41,245	1,100	469,198	1,948	U.K.	2	0	185,549	7,285
Others	348,098	5,237	479,849	6,382	Germany	158,916	8,120	182,674	17,460
Total	6,566,123	1,482,008	24,551,901	1,568,531	Italy	—	—	627,485	387,982
Europe					Switzerland	9	0	204,108	8,528
U.K.	624,349	11,541	3,178,834	17,522	Norway	—	—	147,020	4,910
France	3,720	254	821,323	437	Spain	—	—	129,339	75,580
Germany	20,906	949	168,945	6,363	Others	105	78,559	201,016	35,207
Italy	5,308	93	277,408	235	Total	159,082	89,679	1,677,191	536,902
Switzerland	3,339	15	456,860	1,841	North America				
Belgium	32,169	390	231,883	8,392	Canada	17,640,464	4,031,831	37,710,227	4,062,883
Holland	32,823	257	110,641	2,718	Others	912	50	693,141	203,726
Norway	—	—	135,629	1,141	Total	—	—	11	0
Others	393,042	10,908	122,174	512	Total	17,641,376	4,081,881	38,403,379	4,266,409
Total	1,115,656	24,407	5,493,697	38,661	Central America				
North America					Mexico	35	2	338,479	20,461
U.S.	1,791,323	37,951	17,005,001	193,888	Cuba	138,802	10,540	6,432,091	470,303
Canada	72,764	2,556	600,443	5,118	Others	41,104	36,666	84,755	63,259
Others	—	—	4,964	62	Total	179,941	47,208	6,855,325	554,023
Total	1,864,037	40,507	17,610,408	199,063	South America				
Central America	129	1	192,127	1,267	Peru	5	0	336,836	26,159
South America					Argentina	9,739	151	539,085	26,825
Venezuela	—	—	282,703	3,391	Others	15	1	166,334	12,571
Others	4,318	138	86,775	1,719	Total	9,750	152	1,042,395	65,555
Total	4,447	1,889	369,478	5,110	Africa				
Africa					Egypt	415,706	401,987	1,190,010	324,224
Egypt	36,299	514	615,910	2,723	South Africa	0	0	274,469	5,137
Anglo-Egyptian Sudan	87,331	2,167	220,235	2,029	Others	19,682	18,118	261,763	89,079
Kenya-Uganda	—	—	—	—	Total	435,388	420,085	1,726,242	413,440
Tanganyika	29,244	895	294,129	2,155	Oceania				
South Africa	—	—	244,888	2,358	Australia	33,661	1,145	637,784	11,214
Belgian Congo	10,602	185	352,610	923	Hawaii	36,337	1,785	200,312	2,853
Nigeria	16,754	519	443,382	2,804	North Pacific Is.	90,830	166,273	211,225	96,909
Gold Coast	7,829	235	119,944	468	Others	—	—	6,655	30
French Morocco	—	—	149,418	1,108	Total	160,878	168,208	1,055,976	111,011
Spanish Morocco	113,861	1,179	144,492	1,006	Grand Total	20,270,504	5,820,696	60,291,043	7,374,722
Others	34,933	858	105,899	931					
Total	336,853	6,552	2,890,907	16,505					
Oceania									
Australia	198,067	2,544	595,880	8,897					
Hawaii	48,100	426	413,468	2,552					
Others	18,734	367	180,316	11,764					
Total	264,951	3,337	1,189,659	17,223					
Grand Total	10,152,117	1,556,950	52,089,179	1,847,065					

Rubber Production and Consumption

Natural rubber production in the world for the current year has been estimated at 1,573,000 long tons of which British and Commonwealth territories account for 852,000 long tons. Consumption of natural rubber during 1949 should amount to 1,450,000 long tons. Production of synthetic rubber is not fully known as several countries, principally the

USSR, do not supply the relevant figures.

Details of the estimated natural rubber production in 1949 are as follows: Malaya 700,000 long tons; Indonesia 500,000; Ceylon 90,000 Indochina 45,000; British Borneo 62,000; Burma 12,000; Liberia 27,000 and other countries 137,000.

Consumption of natural rubber is expected to reach the following totals: U.S.A. 600,000 long tons;

United Kingdom 183,000; France 97,000; Netherlands 10,000; Belgium 15,000 Czechoslovakia 30,000; Italy 33,000; Denmark 5,000; Denmark 5,000; Hungary 3,000; Australia 30,000; Canada 40,000 and other countries 404,000.

Synthetic rubber consumption estimates are:— U.S.A. 410,000 long tons; United Kingdom 20,000; France 80,000; Italy 3,000; Canada 20,000 and other countries 7,000.

Principal Exports & Imports of Japan in 1948

(Value in thousands of Yen)

Article	Unit	Volume	Value	Article	Unit	Volume	Value
EXPORTS				IMPORTS			
Fish & Whale Oils	m. t.	6,420	804,891	Coal	m. t.	1,106,682	2,840,582
Agar Agar	"	18,753	187,534	Cement	"	141,498	610,666
Aquatic Products	"	4,971	821,475	Toys	"	—	1,188,686
Mushrooms	"	195	160,705	Others	"	—	10,182,271
Canned Provisions	"	—	493,180	Total			52,098,176
Tea	m. t.	4,481	736,473				
Chemical Fertilizers	"	100,910	526,464	IMPORTS			
Menthol	"	85	131,162	Mineral Oil	K. L.	335,206	9,290,513
Knitted Goods	doz.	886,923	363,723	Vaseline, Grease & Paraffin	m. t.	5,244	170,437
Hats & Accessories	"	173,265	266,190	Rice	"	42,272	516,073
Cotton Textiles	1,000 s.m.	353,450)		Barley	"	167,806	2,142,994
	(m. t.)	(45,815)	11,091,659	Wheat	"	694,051	7,754,979
Gray	1,000 s.m.	162,163)		Wheat Flour	"	232,437	4,176,596
	(t.)	(21,877)	3,817,597	Corn	"	53,401	354,084
Bleached	1,000 s.m.	58,020)		Beans & Peas	"	96,596	1,118,899
	(t.)	(7,801)	1,857,021	Others (Grain & Bean Flour, Etc.)	"	153,805	804,534
Others	1,000 s.m.	133,267)		Canned Provisions	"	—	377,081
	(t.)	(16,637)	5,417,041	Sugar	m. t.	607,891	7,887,953
Woollen Fabrics	1,000 s.m.	30,648)		Salt	"	1,154,343	1,713,106
	(t.)	(3,301)	7,88,365	Synthetic Dyestuffs	"	184	179,454
Silk Fabrics	1,000 s.m.	30,467)		Chemical Fertilizers	"	279,559	2,559,910
	(t.)	(1,204)	3,726,682	Pulp	"	23,612	580,665
Staple Fibre Fabrics	1,000 s.m.	7,785)		Cotton	"	108,679	4,725,760
	(t.)	(883)	346,292	Hard Fibres	"	21,033	722,201
Blankets	m. t.	514	257,274	Wool	"	9,611	1,149,741
Paper	"	—	678,059	Hides & Leather	"	3,586	187,983
Cotton Threads, Yarns & Twines	m. t.	5,699	8,271,753	Oils Seeds	"	29,536	211,041
Raw Silk	"	4,936	1,122,850	Rubber Goods	"	25,744	644,757
Rayon & Staple Fibre Yarn	"	4,055	270,970	Dolomite & Magnesite	"	22,075	162,307
Furs & Manufactures Thereof	"	—	407,411	Phosphate	"	413,445	868,013
Lumber	"	—	152,366	Metal Ores	"	621,983	1,343,144
Bamboo & Manufactures Thereof	"	—	678,277	Graphite & Manufactures Thereof	"	28,829	180,882
Electric Bulbs	100 Pcs.	656,670	198,225	Coal	"	913,649	3,371,350
Bicycles & Parts	"	—	553,698	Others	"	—	7,096,080
Tires & Tubes	m. t.	2,231	1,021,167	Total			60,291,042
Machinery & Parts	"	—	2,690,372				
Chinaaware	"	—	868,693				
Sheet Glass & Glassware	"	—	—				

Economic Developments in the Philippines

A study of plans to reorganize Government enterprises in the Republic of the Philippines was begun recently by the National Economic Council. Its tentative proposal calls for a Board of Coordination of five full-time members, whose chairman would be a Cabinet minister without portfolio. The Board would actively manage the operations of Government corporations, as well as determine policies. The Central Bank, which opened January 2, 1949, is expected to give added impetus to governmental industrial enterprise through the use of withdrawals from the Treasury Certificate Fund in the United States. On February 4 the Secretary of Commerce reassured private industry that the Government does not intend to compete with it, stating that Government ventures would be to pioneer in new fields, to stabilize prices of scarce commodities, and to manufacture articles not produced locally.

Twenty Government corporations reportedly made a total profit of 51,000,000 pesos in the fiscal year ended June 30, 1948, while 7 others incurred losses amounting to 9,800,000 pesos. Of new profits accruing to the Government, 29,900,000 pesos were realized from gross sales of surplus property transferred to the Philippines under the United States-Philippine Surplus Property Agreement of 1946. The

Philippine National Bank's profit was 8,400,000 pesos. The only Government-operated industrial enterprise showing an appreciable profit was the Cebu Portland Cement Co., which reported a surplus of 2,100,000 pesos. The Government-owned Insular Sugar Refinery began operations on February 14 for the first time since the war.

In his recent budget message, President Quirino recommended legislation for a short-term economic-development program, the exploration of oil deposits, minimum wages. Of total expenditures shown in the President's budget for the fiscal year 1949-50, estimated at 302,700,000 pesos, the outlay for education comprised more than 25 percent, and figures for Armed Forces and internal security together comprised nearly 30 percent of the total.

Study of a revision of the Philippine tariff was begun on January 27 by the National Economic Council. Announced purposes of the revision are: (a) To correlate Philippine tariff schedules more closely with policies of the International Trade Organization, the Trade Agreement with the United States, and import-control procedures; (b) to afford added protection to domestic industries; and (c) to reduce the landed cost of goods needed for rehabilitation.

Presidential approval, in principle, of a loan of 35,000,000 pesos to the Mindanao Abaca Planters Association appears to have inaugurated the first major step to rehabilitate the abaca industry. It is planned to extend loans of about 700 pesos per hectare (1 hectare=2.47 acres) to planters in the Davao area, Mindanao.

The 1948-49 rice output is estimated at about 55,000,000 cavans of rough rice (118,555,500 bushels), which would be the best crop since liberation of the Philippines. With adequate supplies of rice available and, in general, of all items important in the native diet, the food outlook for 1949 is favorable.

The general index of retail prices, prepared by the Bureau of Commerce, reached a postwar low of 239.94 on January 29. Because of the resistance of shoes, textiles, and most rentals to the decline, however, the cost-of-living index showed little change, remaining at about 365, based on a prewar index of 100. Aside from certain textile lines, there have been no increases in prices of imported commodities which could be clearly attributed to the operation of import controls.

Except for two sugar central strikes, the labour front has been calm since the first of the year. On February 12 the Court of Industrial Relations rendered a long-awaited decision on compensation of miners in the gold-

mining district of Northern Luzon. The decision increased the minimum daily wage from 1.50 to 2.70 pesos and other wages by 10 and 5 percent, according to their brackets. It fixed additional compensation for night work at 20 percent instead of the 50 percent demanded by the workers, on the grounds that, owing to rehabilitation costs, present mining operations are conducted at a loss. If confirmed on appeal, the decision is expected to discourage the opening of marginal gold mines.

Building has progressed rapidly in the Republic of Philippines since reconstruction was started; it has been particularly active in the city of Cebu. In the first 10 months after liberation, with the exception of 1 month, the value of construction of temporary buildings considerably exceeded the value of permanent buildings. Many people hesitated to invest in permanent buildings until the City Planning Board had determined the lay-out of the streets.

Since March 1946, however, construction of permanent buildings has increased steadily. Investment passed the 1,000,000-peso mark in 6 of the first 9 months of 1948. Nearly all of the business construction has been financed by Chinese capital. As Philippine law prohibits aliens from owning land, except those from the United States, the usual arrangement is a lease for a 10-year period, after which the building becomes the property of the landowner. For this reason, the use of heavy concrete construction is important.

Until March 1948, cement was in very short supply. It was rationed, and construction of buildings was delayed even in Cebu, near the plant of the cement company. However, the increased production of cement and imports from China, Japan, and the Soviet Union have made the supply more plentiful. Late in 1948, Cebu contractors were not delaying construction because of shortages of materials. The cost of construction of an ordinary house, however, was four times as much as the prewar cost.

Machinery for the first unit of the newly incorporated Philippine Portland Cement Co. to be established on Guimaras Island near Iloilo has been ordered in January 1949. Authorized capital for the new company is 2,000,000 pesos.

Since sugar centrals have been reactivated in the Philippine Republic, the production of alcohol for use as fuel, together with gasoline, has been restricted by the delay in obtaining distillery equipment and also the present satisfactory market for molasses. As a result, only two or three sugar centrals are now distilling alcohol.

Prior to the war many centrals and some public transportation companies used a mixture of alcohol and gasoline as a fuel, and during the war it was used extensively because of petroleum shortages.

It is believed that alcohol output for fuel consumption will increase as soon as prices of molasses are reduced.

Weekly service between Manila and Tokyo, via Okinawa, was inaugurated on January 26 by the Philippine Air Lines. Hearings to formulate a definite policy for further rehabilitation and operation of the Manila Railroad Co. are under way before the Senate Committee on Transportation and Public Services. The feasibility of reducing competition from bus and truck lines by discontinuing construction of highways parallel to railroad lines has been considered. The general manager of the railroad proposed that funds be obtained from the new Central Bank for payment of the company's bonded indebtedness.

CENTRAL BANK OF THE PHILIPPINES

The Central Bank, during the first 2 weeks of its operation, established minimum buying and maximum selling rates to cover its transactions with other banks and announced buying and selling rates to be charged by other banks operating in the Philippines. It also prescribed reserve requirements for those banks. The Central Bank will buy United States dollar exchange from other banks at 200.75 pesos per \$100 for telegraphic transfers and 200.70 pesos for sight drafts, except that for purchases of less than \$500 a rate of 200 pesos will apply. The Bank's selling rate was established at 201 pesos per \$100 for telegraphic transfers and 200.95 pesos for sight drafts.

Minimum buying rates for purchases of \$500 or more were fixed for other banks operating in the Philippines as follows:

	Pesos per \$100
Telegraphic transfers	200.50
Sight drafts	200.375
30-day date drafts	200.00
30-day sight drafts	199.875
60-day date drafts	199.50
60-day sight drafts	199.375

Banks may sell United States dollar exchange in transactions of \$500 or more at rates which do not exceed the minimum buying rates by more than 1 peso per \$100 (i.e., 201.50 pesos per \$100 for telegraphic transfers and other transactions).

The Central Bank will not at present purchase United States notes and coins, but such purchases may be made by other banks at a rate of not less than 198 pesos per \$100 and may sell such currency at a rate of not more than 202 pesos.

Purchases and sales of foreign exchange or foreign notes and coins in currencies other than the United States dollar shall be based on the appropriate dollar cross rate, in conformity with the pattern established by the International Monetary Fund, of which the Philippine Republic is a member.

In taking these actions the Central Bank established control over the exchange market. In order to avoid hardship which might result from immediate application of the schedule, transitional periods were provided to enable banks to make necessary adjustments.

Although the new reserve requirements prescribed by the Central Bank

do not differ substantially from those formerly required, either in amount or in general character, they are designed to make more effective use of banking reserves and to implement the increased banking independence of the Philippines. The new regulations, after a transitional period, will mobilize liquid bank reserves in the Central Bank instead of permitting each bank to hold its reserves in its own vaults.

The Central Bank Act provides that the bank may, until June 30, 1951, make direct advances to the Government from the Treasury Certificate Fund in the United States in amounts aggregating but not exceeding 200,000,000 pesos. Such advances may be made only for productive and income-producing projects or for the repayment or servicing of external obligations of the Government.

The creation of the Central Bank was vigorously supported by President Quirino; it had been initiated by the late President Roxas and recommended by the Joint Philippine-American Finance Commission. The Bank's Monetary Board, charged with the major responsibility of directing and managing the institution, is composed of representatives of banking, Government, and business.

SIAM

Commercial Developments

A saving of from 150 to 200 million baht is anticipated during 1949 as a result of the import control measures recently put into force and which have been supplemented by re-export control (vide our last issue, page 571).

The restrictions—which are largely on luxury imports and upon products which can be manufactured domestically—have been instituted to the best interests of national economic welfare.

In 1948, Siam had its first favorable balance of trade since 1942. In the first half of 1948 Siam exported 977 million baht worth of goods and imported 744 million baht worth. For the whole year total exports were through the port of Bangkok 1,695 million and imports 1,587 million).

In 1943 exports were 116 million and imports 203 million; in 1944: 96 and 156 respectively; in 1945: 89 and 109; in 1946: 456 and 549 and in 1947: 967 and 1,386 million.

Alone in the first half of 1948, with 977 million baht worth of exports, Siam sent out more than the total of the whole preceding year. The large imports of 1947 were principally war surplus goods.

The unfavorable balance of trade from 1943 to 1947 totaling 680 million baht deficit, accounted for the need of about one third of the banknotes put into circulation.

The trade results for 1948 are generally considered as satisfactory and as truly reflecting the recovery of Siam. Further progress in imports and exports is anticipated this year in spite of the new controls. Some reduction in Siam's entrepot business may however result from too strict enforcement of re-export control measures.

The total trade value in 1948 was (in millions of baht) 3282 (imports 1587, exports 1695, favourable balance 108). In 1947, the total was 2353 (imports 1386, exports 967, unfavourable balance 419). The official exchange rate of the baht remained the same last year as in 1947 but on the open market the baht has slightly improved in 1948 against 1947.

Financial Developments

A total of 60 million baht has been added to the notes in circulation to relieve the shortage of cash in Bangkok for trading purposes. These extra notes are backed with gold and foreign exchange reserves. Recent large exports of rice were mainly responsible for the availability of such backing.

Notes presently in circulation are baht 2,562 million compared to 2,502 million baht at the end of February. The total of notes in present circulation is made up of 2,509 million baht in actual movement and 53,011 million baht in banks.

A lot of capital has been "frozen" in unsold goods. With greater activity in the field of cooperatives money could be returned Bangkok as it has flowed into the provinces following the harvesting of the last rice crop. Farmers form societies and purchase through them consumer goods from Bangkok but the cooperative movement is yet in its infancy.

The Ministry of Finance is planning the establishment of branches of the Government Savings Bank throughout the country and the institution of lotteries for the five administrative areas to recall idle money from the provinces.

Siamese Produce Quotations

(Averages in April, in Bangkok, in baht per unit of weight).

General

Tin Ore	1200 to 1250 picul
Tin Ingots	28.50 kilo.
Wolfram	1400 picul
Antimony	250/270 "
Rubber grade 1:	6.55 kilo.
" " 2:	6.30 "
" " 3:	6.10 "
" " 4:	5.95 "
" " 5:	5.80 "
Copra	150/160 picul
Coconut oil	305/315 "
Pepper (white)	2100/2200 "
" (black)	1500/1570 "
Charcoal	45 "
Sticklac New 1948 stock	530 "
" " two years old	300 "
" " several years old	120 "
Shellac local quality ...	12/14 kilo.
Foodstuffs	
Onion (local quality) No. 1	90 picul
" " " " No. 2	70 "
Garlic	80 "
Dry chilli (Chiengmai)	450 "
" " (Sawapakaloke)	280 "
Brown Sugar No. 1 quality	155 "
" " " " No. 2	120/125 "
Sago (small grain)	103 "
" (big grain)	107 "
Seeds	
Sesame (Black)	210 "
" (white)	350 "
Soyabeans	110 "
Greenpeas	94 "
Castor seeds	155 "

PRESENT POSITION AND PROSPECTS OF THE MALAYAN PINEAPPLE INDUSTRY

(Special to the Far Eastern Economic Review)

The Malayan pineapple canning industry is now assured of a new and bright future. Packers are confident that by 1952 canning will reach the yearly pre-war output of 2,000,000 cases. In the three post-war years, rapid strides in rehabilitating both plantation and factory have been made.

Chief feature in planting is removal of its pre-war impermanence by immediate switching over to "sole-crop" cultivation instead of "catch-crop" cultivation of pineapples. And no longer are pineapples planted on uplands and lands already planted with rubber, but exclusively on new peaty plains. The catch-crop basis of cultivation had resulted in a decrease in acreage when the rubber aged while on uplands long periods of upwards of 20 years of cultivation had rendered soil unfit for new planting. The old methods reduced pineapple acreage from 60,000 acres to not more than 3,000 acres in the years before the war.

Thus when war ended and Malaya's pre-war canned pineapple markets were again accessible, the industry was faced with the immediate necessity to re-organise planting so that fruit supplies could be permanent. The scheme for quick recovery was introduced in the second half of 1947. It made compulsory cultivation of a minimum of 1,500 acres by each licensed packer and large areas of land were made available to cultivation on "sole-crop" basis to both prospective packers and small-growers.

By the end of 1948, 15,000 acres were established on the new cultivation scheme and full bearing is assured by next year. There is earmarked a further 14,000 acres of peaty land for extension of cultivation. The present planted acreage will be sufficient to maintain an annual output of 1,500,000 cases of canned pineapple when fully developed. Research is undertaken to increase production of fruit on the planted areas and to improve the quality and size of pineapple.

Rehabilitation of canneries have now reached the stage when the fruit supply position is inadequate to meet their canning and packing capacity although only six of the seventeen pre-war factories have been restored. Great improvements in canning methods have been made with modernisation by installation of automatic machinery and machinery to eliminate waste of fruit. Partially hand-made cans have been replaced by fully machine-made cans of standard sizes; with introduction of a

Malayan Mark Grading scheme a higher quality of the post-war pack of canned pineapple is being packed.

For the first time, normally wasted parts of the fruit are being utilised. Pineapple juice and crushed pineapple are but two of the subsidiary products of the industry. The practicability of producing "deep-frozen" and "dried" pineapple is being studied. The industry feels that new techniques and development of the market potential for extra products will go a long way towards reduction of production costs of Malayan canned pineapple.

* * * *

Meanwhile Government is expected to reinforce control over uniformity of practice and policy in order that a fully healthy situation may be developed for both growers and packers.

Through central co-ordination of growers and packers much improvement of the small-growers' economy has been achieved, while at the same time grading and price fixing of fruit has raised considerably the quality of fruit that goes in for canning and the ultimate standard of packs for export. Low standards of Malayan canned pineapple had been the result of ill-organisation, which impoverished growers, and made it impossible for improvements of the pack to be made as uncertainty was experienced in the quality of pineapples sold to canneries.

Prosperity of the pre-war Malayan canning industry — to the tune of £1,000,000 worth of exports annually — had been built on a lower price basis rather than good quality. In future good quality at economic and competitive prices may be possible.

The following are particulars of output during the two post-war years: —

Packing season	Cases packed
October 1946/March 1947 ..	19,000
April/September 1947	50,663
October 1947/March 1948 ...	59,646
April/September 1948	100,150

This total output of 229,819 cases is equal to about 4 per cent of normal pre-war production for a similar period.

Production costs throughout the period being as much as 40 to 50 per cent above the general level for comparable canned fruit industries, disposal of the Malayan pack has met with difficulty.

The first pack of 19,000 cases was bought by the British Ministry of Food for re-sale to confectionery manufacturers in the UK, but the Ministry was unwilling to take up the next packs at high prices dictated by production costs. Abnormal conditions which caused a shortage of canned fruits in several of the smaller markets helped to absorb the bulk of Malaya's 1947 and 1948 packs at a profit to the industry. Markets included Eire, Egypt, Red Sea and Persian Gulf ports, Europe and Africa. These countries were unable to buy from the United States owing to cur-

Lotus seeds (unhusked) ..	70 "
" " (husked) ..	215 "
Red peas	80 "
White peas	92 "
Black beans	120 "
Flour	
Rice flour No. 1 quality ..	125 "
" " No. 2 ..	95 "
Glutinous rice flour	100 "
Tapioca flour No. 1 quality ..	115 baht
per bag of 50 kilograms:	

rency difficulties and were precluded from obtaining supplies within the sterling area owing to extensive Ministry of Food purchases.

During the second packing season in 1948 the Ministry of Food was again asked to buy from Malaya in order to help the industry to clear away an estimated pack of 100,000 cases. A contract for 150,000 cases of Malayan canned pineapple was finally signed by the Ministry of Food and up to March this year the critical situation was saved by delivery to the UK of 11,000 cases.

This year, with an estimated output of 400,000 cases, negotiations for an export contract of 300,000 cases to the UK are being made. The difficulty again is in the price which is not expected to be very much lower than Malayan \$23.50 a case, which was paid by the Ministry of Food for one of Malayan's earlier post-war packs.

* * *

Three-quarters of Malayan canned pineapple were exported to the UK before the war where Malayan canned pineapple occupied the leading place amongst imported canned fruits and accounted for 90 per cent of the total imports of canned pineapple.

Next in importance was Canada which took about 11 per cent of the annual pack and where Malayan canned pineapple represented about 60 per cent of the total canned fruits imports.

The remaining 14/15 per cent of the Malayan pack was sent to New Zealand, United States, Europe and India.

Details of the annual average of Malayan canned pineapple exports were: United Kingdom (1,841,920 cases), Canada (271,060 cases), New Zealand (93,560 cases), USA (71,720 cases), Europe (39,480 cases), India (36,600 cases) and other countries including Egypt and Middle East (116,600 cases).

The average annual world production of canned pineapples (1935/37) was 238,850 tons—from Hawaii (152,000 tons), Malaya (64,900 tons), Formosa (15,500 tons), Australia (2,850 tons), Philippines (2,100 tons), and other countries (1,500 tons).

The United Kingdom market remains pre-eminently the most potential outlet for Malayan canned pineapple, and the scale of development of the industry will depend upon the extent to which it is able to regain its position there. There has been emphatic assurance that the Home Government policy is to encourage the expansion in Empire countries of canned fruit industries. Large Food Ministry purchases however would depend on the prices and quality of the Malayan canned pineapple being competitive with those of other canned fruits.

Consumption of canned fruits in UK has actually fallen off from an average of 214,000 tons per annum to under 100,000 tons in recent years due in part to restricted purchases from hard-currency sources which supplied 50 per cent of her pre-war imports and to a reduction of domestic production of canned fruits by half due to shortages of tinplate and sugar. Home production is likely to expand as shortages are

Financial & Industrial Developments in Malaya

(By Our Own Correspondent)

Position of Rubber Planters

The Planting community in Malaya, as represented by Sir Sidney B. Palmer, president of the United Planting Association of Malaya, feels that the tide has now turned against the bandits. Sir Sidney reviewed conditions at the annual meeting of the Association in Kuala Lumpur on April 29. He said "without being unduly optimistic I think it can be said that the nettle is being grasped and that the incessant activity by the security forces is having its effect. But Malaya is a difficult country for operations and in spite of the fact that they are being harried, dispersed and generally pushed around, the bandits still retain a very considerable measure of local initiative as would any small bands of unscrupulous men who set themselves against the established authority in a country which lends itself to guerrilla tactics. The squatter areas from which, by compulsion or by agreement, the bandits drew much of their supplies are gradually being cleaned

up; information once impossible to obtain is now coming in better every day and the sands of banditry are running out. But none know better than planters that there is yet no grounds for complacency. It is clear that the security forces have greatly stabilised the position and clearly they have undoubtedly gained the initiative in the campaign against lawlessness." "But there is no need to remind you," continued Sir Sidney, "that there is still much to be done and there is still a long, hard job in front of the security forces before peace and prosperity, as we once knew it, is restored to Malaya."

Commenting on rubber production Sir Sidney said "the output in 1948 was the highest ever produced in Malaya but personally I expect to see a small decrease during the current year as up to date flush yields have been obtained following the long rest of the majority of trees received during the Japanese occupation." Sir Sidney continued "illicit tapping has been

overcome but limitation of purchases from hardcurrency sources is likely to continue for many more years to the benefit of canners in the sterling area.

Redistribution of the national income in Britain may widen the market for cheaper forms of canned foods by increased purchasing power of manual workers, and decreased margins for luxuries of the higher income groups. These developments offer a possibly large expansion of business with UK beyond its pre-war scale, depending on cheaper prices and improved quality.

Malaya claimed about 70% of the total Canadian imports of canned pineapple as against imports from Hawaii of 25% and Australia of 5%. While small scale Malayan production prevented substantial resumption of business with Canada after the war (exports for 1943 of 6,000 cases only 2 per cent of pre-war) currency difficulties with Hawaiian imports leaves the Canadian field to Malaya and Australia.

Some initial difficulties are in store for Malaya there because of the increased Australian exports to Canada protected by an import duty of 1 Canada cent per lb against the Malayan canned pineapple. In spite of this handicap Malayan packers should be able to compete with the high-cost Australian industry once Malayan canned pineapple has approached closer to Australian quality standards. The Canadian market is also a large potential one for "crushed pineapple."

Large United States enquiries have recently been received by Malayan packers for canned pineapple at prices which the industry is confident of meeting when production advances on economic levels. Wide opportunities for expanding business to several times the pre-war volume is possible in the next few years in crushed pineapple and pineapple juice. Packs in grocery-size tins, in spite of the heavy import

duty, could be landed in the US for sale at prices cheaper than Hawaiian canned pineapple. Demand for small-size canned pineapple has developed in US owing to the inadequacy of the Hawaiian output. There is no prospect for the US at least for some time to obtain supplies of this pack of canned pineapple because the Cuba industry suffered lately a serious setback with the destruction of plantations by a severe hurricane.

Prospects of the trade-barrier-ridden countries of Europe buying Malayan canned pineapple depend on closer political and economic cooperation with Britain.

New Zealand be a sound market for Malayan canned pineapple if that country were no more only regarded as a dumping ground of second quality packs. New Zealand absorbed annually before the war about 100,000 cases of the second quality packs. The price being insufficiently low, second quality packs before the war, were definitely not an attraction. The market is important to Malaya for developing into an outlet for first class packs.

The Middle East countries are not considered a permanent market. Hitherto they have absorbed a large proportion of Malayan canned pineapple on account of false prosperity created by war conditions.

Wages in Malayan canneries are about three times those prevailing in 1941 but are still substantially lower than those in other large fruit canning countries such as US, Hawaii, Australia and Great Britain. Another advantage to the Malayan industry is that workers are paid at piecework rates instead of minimum hourly rates.

Present high costs are entirely due to partial development which results in inadequate fruit supplies to feed factories on a full time basis, with wages therefore paid for idle workers.

very rife throughout the country and there is no doubt whatever that the terrorists have obtained considerable funds from this source by intimidating labourers to steal rubber which was then handed over to the bandits and subsequently sold. For the past three years this Association has been pressing Government to take appropriate action to stop stealing and illicit tapping and at long last it has been realised by the authorities how necessary it is that strong action be taken at once. I understand that in the very near future an emergency regulation will be introduced which will go a long way to prevent rubber thefts from estates. The quantity of rubber stolen during the past year is estimated roughly at ten per cent. of the total crop."

Sir Sidney Palmer went on to criticise the present price of rubber, the high incidence of taxation on the rubber industry and the delay in settling claims for war damage. He said that "the present price of rubber now leaves little or nothing to producers by way of profit and with excessive taxation and the non-payment of war damage claims many companies were hard pressed and will find it difficult to continue in business. The Government of Malaya seems determined gradually to kill the goose which had laid so many golden eggs for the administration in the past. Although the price of rubber is now well below the pre-war figure the export tax had been doubled and income tax had been imposed on an industry which is struggling to keep its head above water. But in addition wages now range from 220 per cent. to 400 per cent. above the pre-war level and all materials are now much more costly than they were in 1941. I wonder if it is generally realised that, including smallholders, one-third of the total working population of the Federation gain their livelihood entirely or mainly from rubber. In 1948 rubber export duty yielded \$33,000,000 (Malayan currency). Indirect taxes, income-tax, rents and other contributions to Government revenue by those engaged in the rubber industry must have made the total contribution amount to about one-third of the public revenue which is estimated to have been \$274,000,000. Of the total exports in 1948 rubber accounted for \$680,000,000 out of \$1,116,000,000. Surely it is most unwise to continue the present crippling rate of taxation if the future economy of the Federation is to be safeguarded. The first step should be that the Government reduce the export duty to the pre-war level and this Association has made strong representations to the authorities on this question."

Dealing with war claims Sir Sidney said "the delay in payment of War Risks (Goods) Insurance and War Damage Compensation is undoubtedly having the most adverse effect on the rubber industry in general. A large

number of companies and individuals have spent most, and in some cases all, of their reserve funds in rehabilitating their properties since the liberation. The result is that they have no funds with which to continue replanting on a large scale with high-yielding material and the inevitable consequence must be that in times of low prices large areas will go out of tapping and the estates will close down. This will cause unemployment and be a loss of prosperity to the country in general. But it is not only the rubber industry that will suffer. Its repercussions will be felt by everyone in Malaya. A policy which some are advocating is that no compensation should be given by way of war damage compensation; these misguided people are pursuing the most shortsighted policy which will react on the very people they hope to assist. Unless war damage compensation is paid and paid quickly rubber companies will find it impossible to replace obsolete areas by replanting with high-yielding strains and Malaya will not be in a position to compete in the matter of costs with synthetic and competition from other countries."

"Let it never be forgotten", Sir Sidney emphasised "that if the rubber industry falls then the economy of the Federation falls with it and it is up to those in authority to give every consideration to this aspect of the position."

After reviewing at some length conditions in the industry as they affect labour Sir Sidney said "This Association has always given the greatest sympathy, before and since the war, to the trades union movement and I repeat that the policy of this Association is to encourage and foster properly run trades unions which are controlled by men connected with the rubber industry."

(Sir Sidney Palmer was knighted in the last New Year's honours list for his public services to Malaya. He has been president of the United Planting Association for several years. He started his planting career in Borneo about forty years ago and is now a proprietary planter, visiting agent and a director of several rubber-producing companies. He is to retire from Malaya some time toward the end of this year and will assume an appointment connected with the industry in London.)

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Rubber Output

Rubber production in Malaya in March totalled 53,533 tons, compared with 44,638 tons in February and 50,806 tons in January, bringing the total for the first quarter of the year to 157,977 tons, compared with 171,076 tons in the corresponding quarter of 1948. Production on large estates (those of 100 acres and more, largely European-owned) in March was 33,616 tons and production on small estates

(those under 100 acres in extent and largely Asiatic-owned) was 19,377 tons. This production from smallholders is taken from the amount of rubber sold by these holdings to licensed rubber dealers during the month and does not mean that production in that month need necessarily be the same as sales.

The disparity in the figures for total production for the months of January and February need some explanation. These figures neither mean any lessening or increase in bandit activity. They are due mainly to the fact that toward the end of January most Chinese growers sold every pound of rubber they could find just prior to the Chinese New Year, which is their custom. This had the effect of raising the figure for the month of January. The fall in the February figure is due partly to the fact that rubber normally sold in the first week of the month was on this occasion sold in the last week of the preceding month. It is also due to the fact that February had only 22 tapping days generally throughout the country, compared with the normal 26 tapping days in months having 30 or 31 days.

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Security Markets

In their latest weekly report on the Singapore share market Fraser and Co., sharebrokers, say that "slow to resume after Easter, only a small volume of business was written on the Malayan markets. Quotations tended to sag in all sections save loans. The chief happening of last week in Malaya was the surrender of 87 Chinese guerrillas at Kuala Kangsar, Perak, to which we attach great significance. Ordinarily this submission would have had a cheering effect on local markets, but coming simultaneously with the Yangtse naval incidents, any benefit has been lost.

"Most of the business was transacted in the industrial section. Straits Traders eased after publication of the annual report and accounts; there was some recession in Henry Waugh and Co. after clearance of fairly substantial parcels, and Alexandra Bricks improved. In dollar tin shares, London unsuccessfully sought to buy back Petaling shares sold to Malaya in recent weeks but bids were not sufficiently attractive. Rubber share transactions could be counted on the fingers of one hand and again odd lots predominated. The local loan market continued firm but there was further switching of buyers to Australian government issues. Devaluation possibilities brought in buyers for Raub (Australian) Gold and Mount Morgan."

Commenting on the annual report of Kesang Tin Company Ltd., Fraser and Co. say "the report disclosed what must be regarded as the most arbitrary action on the part of a Government authority which has denied the company the right, enjoyed in the rest of

the Federation, of aggregating the man and horsepower employed by applying it to all its contiguous titles. Such denial has been given as the reason for the forfeiture to the Crown of more than 54 acres of mining land. It is to be hoped that the directors of this company will give the widest publicity to this extraordinary procedure and contest the decision by appeal to the very highest quarters." In this connection the Government decision discloses a most extraordinary position. The company's mining titles are situated in the former settlement of Malacca, part of the Straits Settlements. Under the new constitution for the Federation, Malacca is now part of the Federation. The Government gives as its reason for cancellation of Kesang's mining certificates the fact that in Malacca even now the Straits Settlements Mining Ordinance still applies and this Ordinance does not make provision for aggregating mining titles for the purpose of complying with the labour requirements. In the existing Federation mining laws such aggregation is permitted. It is understood that the whole of the mining legislation in the Federation is undergoing revision but that a new revised Mining Enactment cannot be completed for at least another year because of the pressure of work in Government offices. The position appears to be that in some respects, and some respects only, Malacca is now governed by the laws the Federation and in other respects by the laws of the old Straits Settlements although it has for the past year been absorbed into the Federation of Malaya. The question appears to be one for the Courts to decide. In the meantime the directors of Kesang Tin have appealed against the forfeiture of titles to the Resident Commissioner at Malacca and have, without prejudice to its claims, resubmitted its application for realisation of the area covered by the forfeited titles."

Coconut Oil Mills in Singapore

Coconut oil mill owners in Singapore are faced with a bleak future because of the increasing preference for copra rather than coconut oil by the United Kingdom and European buyers. There are now only four coconut oil mills working on a part-time basis in Singapore. At the peak of production last year there were more than 30 mills.

The British Ministry of Food has contracted to receive for nine years all surpluses of copra from Ceylon and the Fiji Islands. It has also taken up huge quantities of Indonesian copra, and has a recent proposition from Holland for 1,500 tons of copra. There has also been a move to get Malayan shippers to enter into a contract with the Food Ministry to supply estate copra on the same basis as Ceylon and Fiji.

Economic Reports From Indonesia

Estimates of Production

Official experts at Batavia anticipate an export of 150,000 tons of high-grade sugar in the year ending June 30, 1950, including 100,000 tons from new crops from the Dutch controlled area.

The production of palm-oil is estimated at 170,000 tons, 150,000 tons of which will be available for export. Copra exports are estimated at 400,000 tons.

The output of estate rubber will probably be 200,000 tons and of native rubber 300,000 tons. Tobacco and tea exports are estimated at 20,000 tons each, but the export of fibre will not exceed 6,000 tons.

The coffee crop is destined mainly for home consumption but 5,000 tons of a special quality (Arabica) will probably be exported.

Exports of cinchona and of quinine extract will probably amount to 120,000 tons each and of cocoa to 400,000 tons.

Imports and Exports

Indonesian exports in January 1949 were 491,595 tons to the value of over Fls. 107 million (December Fls. 88.8 million). Imports in January 1949 totalled 140,754 tons to the value of nearly Fls 56 million (December Fls. 172 million). The export surplus in January had a value of Fls. 51 million. The main export items were:—

	Nov.	Dec.	Jan.
	(in million guilders)		
Mineral oil and products ...	12.2	—	25
Rubber	23.7	17.4	30
Copra	15.3	16.4	10

The main import items were rice 13,000 tons, motor-cars to the value of over Fls. 2 millions, sarongs over Fls. 10 million, factory equipment and parts Fls. 2.3 million. The value of monthly imports in 1948 averaged Fls. 86 million.

Indonesian imports and exports in 1947 and 1948:—

	1947	1948
	(in million guilders)	
Imports	754	1,156
Exports	343	1,043
Import surplus	411	113

The percentage of imports covered by exports was 45 in 1947 and 90 in 1948.

The main import items were:—

	1947	1948
	(in million guilders)	
Textiles	227	353.4
Food, drink and tobacco	220.5	225.3
Machinery and the like	135.9	200.3

The main exports items were:—

	1947	1948
	(in million guilders)	
Oil products	62.2	260.2
Rubber	67.5	256.1
Copra	79.7	155.4
Tin and tin ore ...	60.4	153.2

The main countries of origin were:—

	1947	1948
	(in million guilders)	
United States	294.2	257.6
Netherlands	98.7	220.5
Japan	61.1	187.1
Great Britain	57.8	99.6

The main countries of destination were:—

	1947	1948
	(in million guilders)	
Netherlands	148.4	374.9
Singapore	68.4	192
United States	63.5	183.2

Copra Exports

Exports of copra in 1948 totalled 242,245 tons. The greater part of this namely 216,415 tons came from East Indonesia. West Borneo supplied 17,245 and other districts 8,585 tons. Exports in 1946 and 1947 had amounted to 54,098 and 152,639 tons respectively.

Of the copra exported last year 162,000 tons went to the Netherlands, against 115,990 tons in 1947.

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THE DUTCH AIR TRANSPORT IN 1948

After the liberation of the Netherlands in May 1945 when in every field the work of reconstruction was started under difficult circumstances the leaders of Dutch aviation found themselves confronted with an arduous task. However, this task was energetically taken in hand; the K.L.M. (Royal Dutch Airlines) risen again, as it were, from its own ashes began to develop its activity, at first, of course, on a moderate scale, but gradually the K.L.M. increased its activity while its business expanded with the opening of new airlines.

A retrospective view of 1943 again reveals an all-round expansion; new towns and countries were included in the air-line system as a result of which the length of the latter now exceeds 62,150 miles and almost spans the whole world. New up-to-date aircraft were added to the K.L.M. fleet; during 1948 more passengers and cargo were carried than in any previous year. The number of employees of the K.L.M. all over the world increased to more than 13,400, of which well over 1,100 belong to the flying personnel.

The greater part of the new aircraft ordered by the K.L.M. were delivered in the course of 1948. On March 25 the first Douglas DC-6 arrived at Schiphol. Within a few weeks they were followed by another five. In May and June these modern aircraft were placed on service on the routes to South Africa and South America. On September 6 the first twin-engined Convair Liner arrived at Schiphol; six aircraft of this type were delivered in 1948; the rest will follow in 1949.

In the course of 1948 the equipment of Schiphol—the Amsterdam airport—was considerably improved.

The transport figures over the first ten months of 1948 of the Amsterdam-Batavia air-line afford a clear picture of the intensive traffic on this route.

	1948 (from January to October inclusive)
Number of flights	618
Number of fare-paying passengers	27,100
Mail	11,615 cwts
Cargo & surplus luggage	10,475 cwts
Number of flying hours	22,762
Mileage covered	5,001,250

A new landmark was reached when Shanghai was included in the air-line system. The carrying capacity of the weekly Constellation flights from Amsterdam to Johannesburg, and vice versa, was soon found to be inadequate to cope with the large supply of passengers. The frequency of this service was increased to twice a week. Finally a third service was established in cooperation with the S.A.A.

On September 11 the hundredth flight Amsterdam-Johannesburg, and vice versa was made since the establishment of the Africa line. During 1948 in the aggregate 100 out-and-home flights were made between the Netherlands and South Africa. In 1948 a distance of 1,242,700 miles was covered by this service, that is to say 50 times the circumference of the earth.

Also in 1948 the air services to the Western hemisphere were continued with increased intensity. From June 14 a daily service to the largest city of the American continent was maintained.

The air traffic on the Amsterdam-Curacao route showed a large increase. On October 31 the frequency was increased from 2 to 3 times a week.

The air-line between the Netherlands and Montevideo was extended to Buenos Aires.

At Batavia the first anniversary of the K.L.M. interinsular services was celebrated on August 1, 1948. On November 1, 1948 it was exactly 20 years ago that the first regular air-line was opened in Indonesia. With the opening of the air-line Batavia-Bandoeng-Semarang-Soerabaja, and vice versa, on September 6 an im-

portant air-line was added to the air-line system of the interinsular services of the K.L.M. in Indonesia whose length had meanwhile increased to 14,900 miles.

In 1948 in the aggregate some 400 special flights were made, including the irregular air traffic in Indonesia. The number of flying hours flown by aircraft chartered from the K.L.M. amounted to 4,000 with a ton/mile output of more than 2,175,000.

In 1948 the chartering market developed favourably. Not only were numerous cargo charters carried out

but also a large number of special passenger flights. Seven flights with DC-6 planes and 2 flights with Constellations covering a total distance of nearly 31,100 miles were carried out in connection with international meetings. Throughout 1948 the K.L.M. also participated in the transport of missionaries, emigrants and seamen by air.

In 1948 K.L.M. cargo-services showed a steady increase, with some 157,600 cwts of cargo carried, as compared with 51,850 cwts in 1946, and 100,940 cwts in 1947, respectively.

Hongkong Exchange Banks Association AGREED MERCHANT FOREIGN EXCHANGE RATES

		Maximum Selling.	Minimum Buying.	
Sterling	1/2	15/16 delivery	1/3 1/32	T.T.
		within 2 months	1/3 1/16	O.D.
		with a cut of	1/3 3/32	30 d/s
		1/32 for every further 3 months forward.	1/3 1/8 1/3 5/32	60—90 d/s 120 d/s
(East & South Africa)	— " —		1/3 1/8 1/3 3/16 1/32nd	O/D if under L/Credit O/D without L/Credit up every 30 d/s
(West Africa & West Indies)	— " —		1/3 5/16 1/3 3/8 1/32nd	O/D if under L/Credit O/D without L/Credit up every 30 d/s
Rupees (India)	82 3/4		83 3/4	T.T.
			84	O/D
			84 1/8	7 & 30 d/s
			84 1/4 84 3/8	60 d/s 90 d/s
Rupees (Rangoon)	82 3/4		All buying rates 3/16th higher than India	
Rupees (Aden)	82 3/4		84 3/8 84 1/2 85	O/D if under L/Credit O/D without L/Credit 30 d/s & 60 d/s
Malaya \$	52 7/8		53 1/2 53 5/8	T.T. & O/D 30 & 60 d/s
U. S. \$ and Canada \$	24	15/16 delivery	25 1/4	T.T.
		within 2 months	25 5/16	O/D—30 d/s
		with a cut of	25 3/8	60—90 d/s
		1/16 for every further 3 months forward.		
U. S. Notes	—		25 3/8	(Banks to pay Insurance and postage)
Australia £	1/6 1/2		1/6 7/8 1/6 15/16	T.T. O/D.
New Zealand £	1/2 15/16		1/3 3/16 1/3 1/4	T.T. O/D